Pete Wilson on Davis Budget

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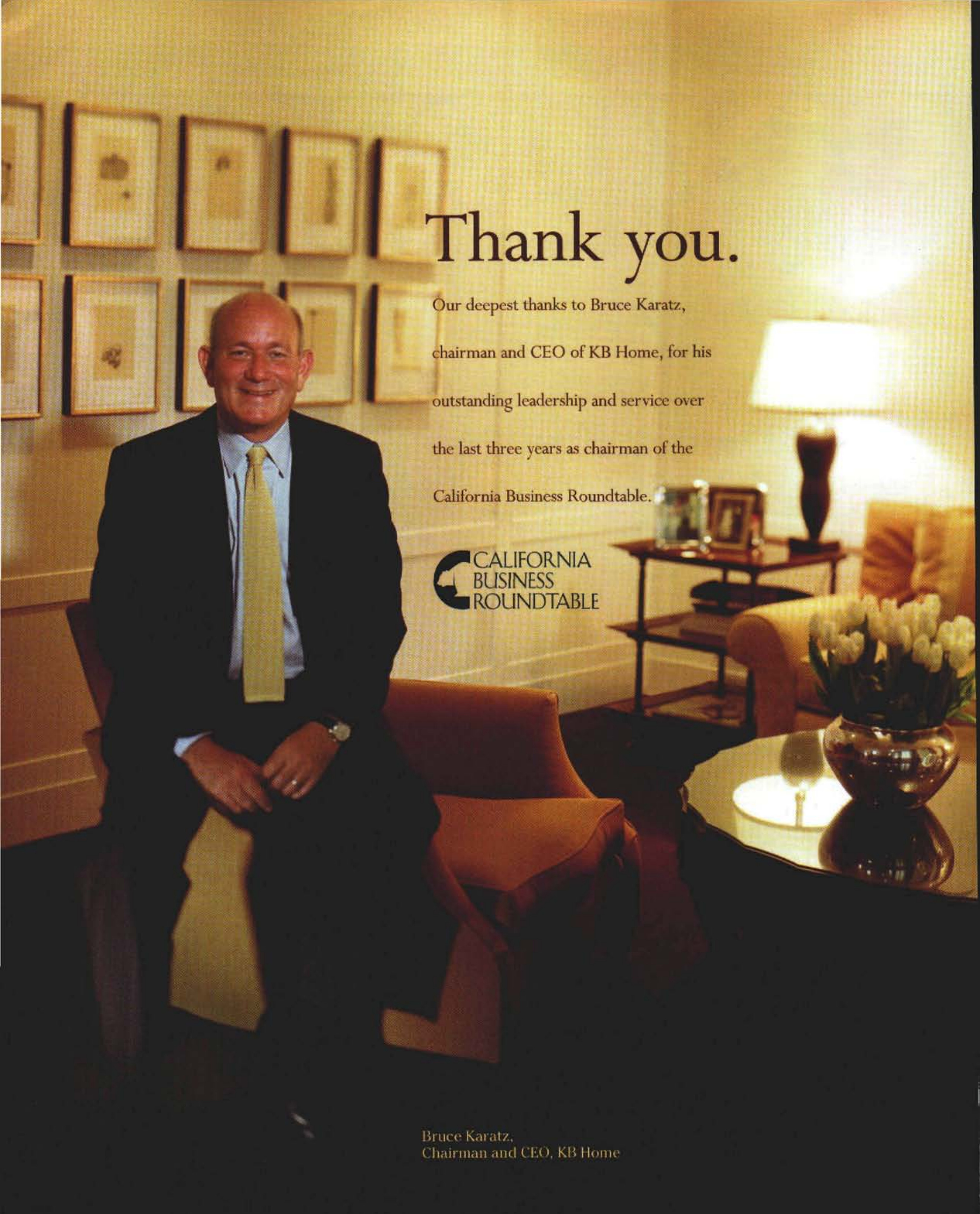
Size won't matter:

California's green laws will grow today's tiny hybrids into tomorrow's environmental SUVs.

Also Inside:
Should Bush forget California in '04?



Thank you.

Our deepest thanks to Bruce Karatz, chairman and CEO of KB Home, for his outstanding leadership and service over the last three years as chairman of the California Business Roundtable.

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ROUNDTABLE

Bruce Karatz,
Chairman and CEO, KB Home

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from the editor

Introducing ...

By David Lesher

California Journal readers share an interest in state politics, government and public policy. With this issue, we launch a pair of regular feature pages designed to highlight news of special interest to our community. One page, named simply "People" (pg. 34), is a place to look for names you recognize. It's a bulletin-board style posting for job changes and other announcements. (Contributions can be e-mailed to **people@californiajournal.com**.) The other recalls an earlier mission of *California Journal*, to spotlight the business of the state Capitol—lawmaking. This page, called "From the floor" (pg. 41), highlights key legislation as it is being considered. *California Journal* has been part of the Sacramento community for more than 30 years. We have a lot in common.

Cover by Dagmar Thompson

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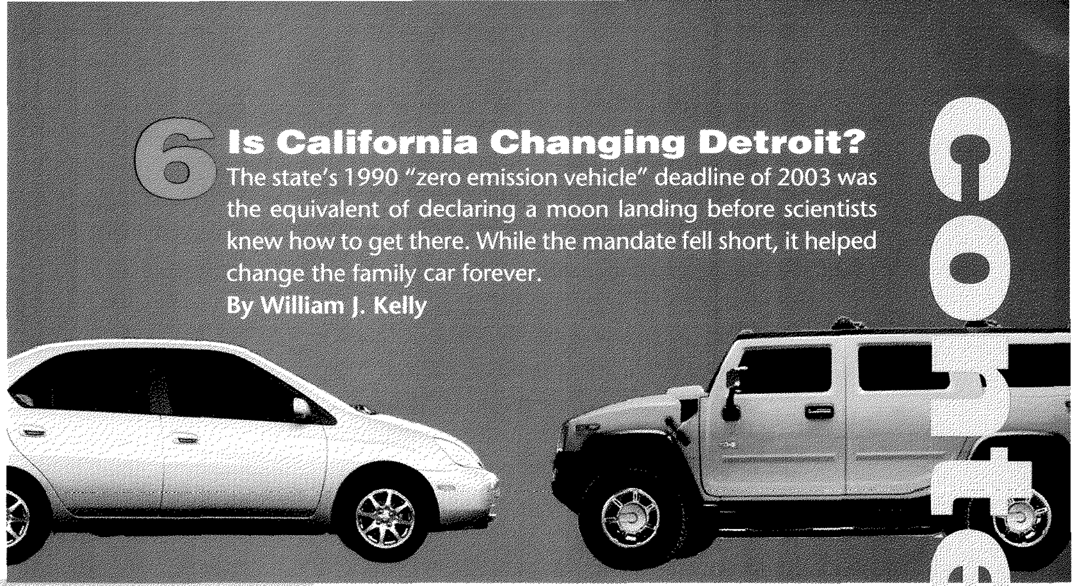

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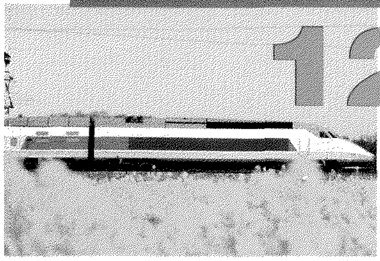

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42 GOP California Dreams

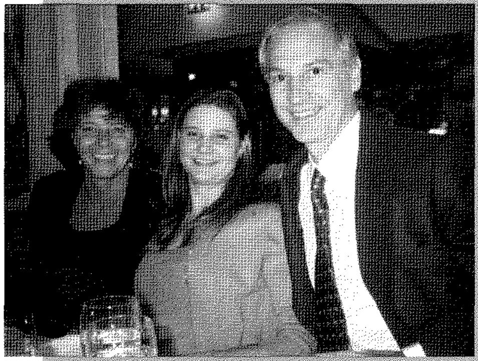
Recent Republican failures in California haven't deterred President George W. Bush or his advisors from being optimistic about their chances here in 2004. But is that oasis they're seeing simply a mirage?
By Carl M. Cannon

umbrage

Post mortem. It seems like so long ago now — Bill Simon's fraud lawsuit and the photo-gate flop; Gray Davis' abortion-is-murder ad and his Oracle scandal. But when you're a true political junkie, there's nothing better than a day of reminiscing with other addicts about a past campaign. For the fourth time, UC-Berkeley's Institute of Governmental Studies recently hosted the strategists to the major gubernatorial candidates for an unvarnished peek inside their campaign headquarters. There are rarely bombshells in these meetings, but the candid talk is a refreshing splash of politics without spin. Republican nominee Simon was described as a bright, but cautious candidate, sometimes frozen by fear on questions he knew well. Davis was a taskmaster who "chewed out" his team for celebrating when LA Mayor Richard Riordan succumbed to their television attacks in the Republican primary. The zinger ad, of course, featured a decade-old interview in which the pro-choice Riordan referred to abortion as murder. Davis consultant Garry South revealed that he wooed the tape from a Beverly Hills cable television station for $10,000 and a lunch. Davis strategists revealed how fearful they were of Riordan in a general election because he was seen "as a very successful mayor;" friendly with Democrats and impervious to the attacks they secretly tried in focus groups. "What would be our message line against this guy?" said South. There were other mini-disclosures. Simon consultant Sal Russo contradicted previous reports by insisting that he told the White House and other Republicans last summer that Simon's investment firm was on trial for fraud. When the devastating guilty verdict was issued in August, top Republicans felt blindsided. Russo also said the campaign was always short on cash and that he knew all along the wealthy Simon wouldn't give more than $10 million of his own money. Simon strategists also took blame for their misguided faith in a photograph that was supposed to show Davis violating state law by accepting a contribution in his Capitol office. And Davis' team asked why Simon didn't do more to exploit their biggest vulnerabilities — energy and education. In the Davis focus groups, the attacks worked.

Joe Remcho

The death of Joe Remcho in January came as a shock to many in Sacramento. Remcho, 58, was a longtime influential adviser to Democrats in the Capitol, including Gov. Gray Davis, Atty. Gen. Bill Lockyer and others. But Remcho was more than simply a courtier to the powerful — as a lawyer, he was an acknowledged expert on First Amendment, civil liberties and election law. He used that expertise to argue successfully against campaign finance limitations and unsuccessfully against term limits. Remcho died when a helicopter he was piloting crashed in the Sacramento-San Joaquin River Delta. He is survived by his wife, Ronnie Caplane, his daughter, Morgan Caplane and a son, Sam Remcho.



Joe Remcho with his wife, Ronnie Caplane (left) and daughter, Morgan.

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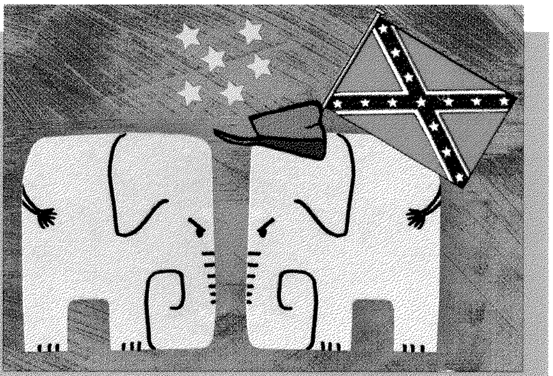
Politics:

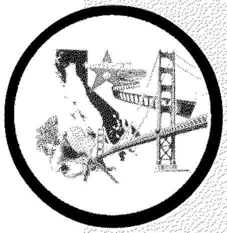
Elephant fights

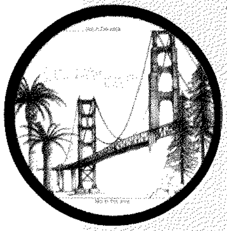


An angry internal squabble about race probably isn't what the California GOP was hoping for in the month leading to its convention in February, but that's what it has. The highest-ranking African-American in the party, Shannon Reeves, fired off an email in early January calling for current vice-chairman of the state GOP, Bill Back, to drop his bid for party chairman (which will be decided at the convention). Reeves was upset that Back had circulated an email that contained an article written by someone else suggesting the nation would have been better off if the South had won the Civil War. Reeves' email prompted GOP state board member Randy Ridgel to write an angry letter that was subsequently distributed to GOP activists and picked up by the *Los Angeles Times*. In the letter, Ridgel defended the Civil War article and called Reeves a "bombastic gasbag." So far, vice chairman Back hasn't backed off his bid for the chairmanship, for which he's running against one candidate — Silicon Valley attorney Duf Sundheim. But stay tuned: According to state GOP bylaws a new candidate can emerge as late as the day before the election, which is February 23. Until then, perhaps GOP activists will heed that age-old plea: "Can't we all just get along?" Who said that again?

Symbolism:

Two sides of the same coin

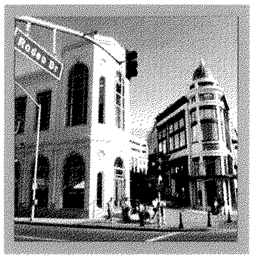




It's been said that California has a spilt personality, but this is ridiculous. The California Quarter Committee recently trotted out the designs it's considering for the California state quarter on a Web site (http://134.186.46.107). Looking at the quarters, it becomes obvious that there must have been some serious disagreements over what part of the state should be featured — designs incorporating scenes from both Northern and Southern California adorn seven out of 20 designs. The compromise would be admirable if it didn't appear, as it does on the bottom coin, that the Golden Gate Bridge was moved squarely in front of the Hollywood Hills. Then again, what could be wrong with yet another highway in Los Angeles?

Taxes:

Playing with Prop. 13



Amid the budget debacle, Prop. 13 remains untouched. However, UC Davis' Center for State and Local Taxation recently drafted a report on how much the state could possibly raise in property taxes if it taxed commercial property at market rates — a no-no under Prop. 13. The report found that in Los Angeles County alone, the difference between assessed value and market value of commercial properties led to a loss in tax revenue of roughly $840 million in 2002. Since LA County is about 25 percent of the statewide property tax base, the report figures the statewide loss to be about $3.35 billion.

Quotables.....

"I'm not apologizing; tell them to go to hell."

— Ward Connerly, of the University of California Board of Regents, when asked whether he'd apologize to the student association for saying, "supporting segregation need not be racist" during the Trent Lott controversy.

Getting bigger and

California auto emission laws are setting a new standard for national and global trends. They haven't lived up to all of their initial expectations, but they've inspired new, clean-air technologies that could change the family car forever.

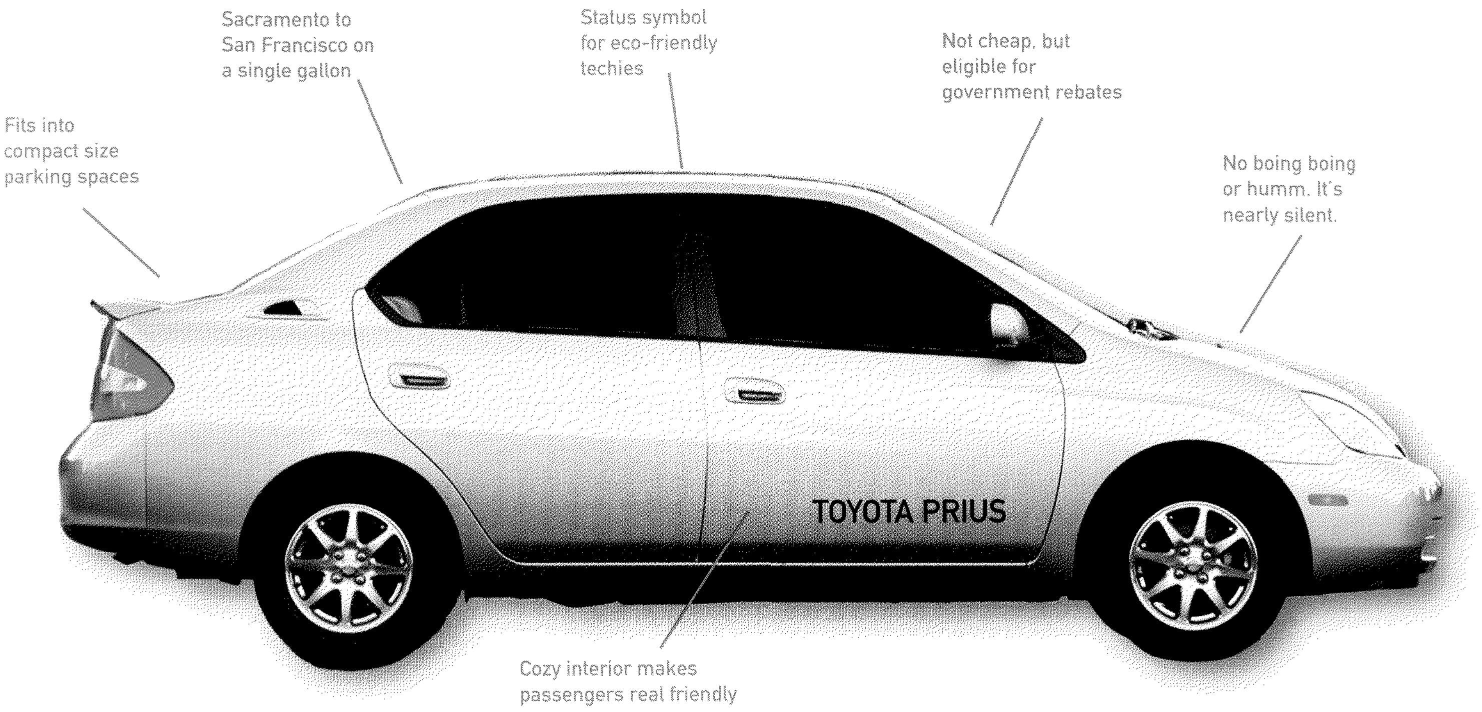
By William J. Kelly

This is the year that state regulators envisioned back in 1990 when Californians would begin buying more than 100,000 cars a year powered by electricity or other pollution-free technologies.

Their landmark order forcing auto makers to market "zero emission vehicles" by 2003 was the environmental equivalent of declaring a moon landing long before scientists knew how to get there. And today, there are only about 3,000 freeway-capable electric vehicles on the road in California. Despite a significant investment prompted largely by California's mandate, scientists and engineers have been unable to produce a cheap and practical "zero emissions vehicle" that can seriously compete with combustion engine cars for performance and price.

But even though it fell far short of its goal, the 13-year-old mandate is not considered a failure. Instead, experts say California's effort helped launch a quest for automobile technology that is poised to offer a range of clean-air family cars that use little or no gas.

This month, the state Air Resources Board will meet to consider changes to the 1990 mandate, which is also being challenged in court by auto makers. "We're trying to maintain pressure toward zero emissions technology, but


Sacramento to San Francisco on a single gallon
Status symbol for eco-friendly techies
Not cheap, but eligible for government rebates
Fits into compact size parking spaces
No boing boing or humm. It's nearly silent.
TOYOTA PRIUS
Cozy interior makes passengers real friendly

better

maintain flexibility so auto makers can reach the goal with their own technologies," said Chuck Shulock, the vehicle program specialist for the air board who is developing the proposal.

In a separate proceeding over the next two years, the board also is addressing California's latest environmental milestone — Assembly Bill 1493. The legislation, adopted last year, makes California the first state in the nation to set standards for greenhouse gas emissions from automobiles. The law, which directs the air board to set standards that will take effect in 2009, is already cited as a model for proposed national legislation.

California alone represents 13 percent of the nation's auto market, so decisions made at the next Air Resources Board meeting will be felt nationwide. The new regulations will seek to encourage further development of technologies like hybrid vehicles and, eventually, fuel cell-powered cars.

Gasoline-electric hybrid vehicles combine an internal combustion engine and an electric motor, which boosts power when needed for acceleration or climbing. While cruising, the gasoline engine recharges the battery pack so the car never needs to be plugged in. Compared to conventional vehicles, today's hybrids achieve dramatically better gasoline mileage and low emissions. Hybrids on the market include the Toyota Prius, Honda Insight, and a model of the Honda Civic, which qualify for a $2,000 federal tax deduction and get between about 50 and 70 miles per gallon of gasoline, depending upon the model. Other auto makers plan to introduce hybrids soon.

Regulators and automotive industry researchers envision a later generation of "plug-in hybrids," which would have bigger battery packs that could be recharged at home so the vehicle could run pollution-free in electric mode for the average commute. On longer trips, the gasoline engine would provide cruising power.

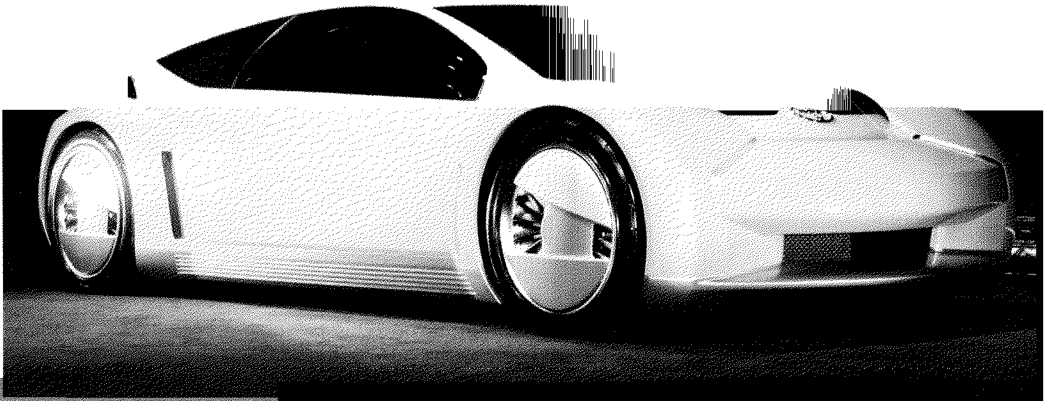
Fuel cell cars — which are being demonstrated under the auspices of the California Fuel Cell Partnership, a government-industry consortium — use hydrogen to produce electricity and run an electric motor. Ultimately, regulators dream of a day when hydrogen could be produced pollution-free from water and sunlight to power zero-emission cars. Industry officials say the technology is at least a decade away from popular production, perhaps much more.

Now that the technologies are being developed, however, a critical question for the industry is how to make them attractive for consumers. Industry analysts studying the failure of earlier attempts to market clean air vehicles

Be an adventurer during a freeway commute
See over other cars on the road
Rated best car in case of military foreign invasion
This car loves gas stations, but windshield washing is tough
Engine power to climb a mountain or idle in traffic
GM HUMMER
Comfortable interior room for the Brady Bunch and groceries
Pavement is a convenience, not a necessity

have found that consumers are open to the new technology

In a recent survey, J D Powers, a leading automotive market research firm based near Los Angeles, found that 30 percent of new car buyers "definitely" would consider a hybrid vehicle and another 30 percent would strongly consider a hybrid. Moreover, buyers would pay about $1,200 to $1,300 more to purchase a hybrid vehicle, according to Thad Malesh, director of alternative technology at J.D. Powers.



The new clean-air cars will only sell if they appear and perform like cars on the road today.

At the same time, analysts say consumers are looking for cars that appear and perform much like the ones they are driving now. In other words, the new clean-air cars will only sell if they appear and perform like cars on the road today.

That seems a tall order at a time when a confluence of consumer preference and fat, per-unit profit for auto makers has made sport utility vehicles, large pickup trucks and vans increasingly dominant on California highways. Trucks, sport utilities and vans now number more than eight million in California, accounting for more than a third of the vehicles on the road, according to air board data. In 2001, trucks, sport utilities, and vans accounted for 44 percent, or 627,000 of the 1.42 million new vehicles sold in the state, according to the air board.

So to succeed in the market, according to Malesh, hybrids must come to look and function the same as today's "aspiration vehicles," the large sport utilities and pickups that drivers use to project their "image" on the anonymous roadways of the state. In some places, it's already being done.

Ford Motor Company is planning to introduce a hybrid model of its Escape sport utility vehicle sometime later this year that will get up to 40 miles to a gallon of gasoline. It will propel sales of hybrids, which totaled about 35,000 in 2002, according to Malesh. Ultimately, J.D. Powers projects that in 10 years, sales of hybrids could reach 900,000 out of a total of about 17 million vehicles a year sold nationwide. There are some 23 million passenger vehicles on the road in California, according to air board data.

"Certainly the sales are concentrated in the western states, including California," said Malesh.

Timing also will be key for marketing success. Auto makers complain that the zero emission mandate forced the industry away from the most effective opportunities to market clean air cars.

"The zero emissions vehicle regulation is going down a dangerous road, as it has in the past, by trying to force technologies onto the market before they are ready," said Ben Knight, vice president of Honda Research and Development Americas. He explained that while hybrid technology is transferable to the larger vehicles motorists prefer, it costs $3,000 to $4,000 more to produce a hybrid vehicle. "We've got to figure out how to reduce that cost premium."

The zero emissions mandate has always been controversial with auto makers. When it was initially adopted by the Air Resources Board, it called for a gradual phase-in of zero emissions vehicles between 1998 and 2003, when 10 percent of the more than one million new cars sold in California each year would be zero emissions vehicles.

At the time, the board's dramatic move was motivated by another set of deadlines for various regions of California to meet federal health standards for clean air. The San Joaquin Valley — now the smoggiest area in the nation — faces a 2006 deadline for meeting the federal ozone standard, which the local air district maintains it cannot meet. The smoggy Los Angeles area must meet that standard by 2010.

The key to clean air in these and other areas depends on reducing emissions from motor vehicles, according to local air quality officials across the state. While today's autos emit less than 10 percent of their counterparts 30 years ago, their increased numbers and usage, coupled

Car debuts in Detroit at the North American International Auto Show. (Top left) Toyota Fine-S fuel-cell concept hyrid-electric vehicle. (Bottom left) Ford Freestyle FX with the world's first supercharged hydrogen internal combustion engine with hybrid transmission. (Bottom right) Ford Model U features supercharged hydrogen combustion engine and hybrid transmission. Model. Photos: Rebecca Cook for Reuters, January 2003.

with increasing traffic congestion, make them the state's number one source of pollution.

"We need to redouble our efforts to reduce pollution from [cars and trucks]," said Barry Wallerstein, executive officer of the South Coast Air Quality Management District in the Los Angeles area. On-road motor vehicles account for some 46 percent of the 6,431 tons per day of statewide hydrocarbon and nitrogen oxide emissions, which are key precursors to ozone and other types of pollution, such as fine particles, according to air board data.

In adopting its zero emissions mandate, the board pledged to periodically review the latest technology and, if appropriate, adjust the standard. In 2001, the board amended the mandate to offer auto makers credits toward the zero emissions standard for selling a variety of clean air vehicles. Auto makers can win credits for selling "neighborhood electric vehicles," which are golf carts modified to operate on streets with posted speed limits of no more than 35 miles per hour; "alternative technology partial zero emissions vehicles," which are essentially hybrids, and "partial zero emissions vehicles," which are super clean gasoline cars.

Today, auto makers have essentially earned enough credits to avoid producing any additional zero emissions vehicles through much of this decade.

Following the air board's amendments, General Motors, DaimlerChrysler and other auto businesses sued California in federal court to block enforcement of the standard. The auto makers won a temporary injunction against the California mandate based on their assertion that the law improperly included a fuel economy criterion for granting compliance credits. Since 1975, federal law has reserved the right to regulate fuel economy for the National Highway Traffic and Safety Administration.

The air board has appealed the injunction and a decision is expected as early as this month. Meanwhile, the board's proposed revisions to the zero emissions vehicle regulation would strike any references to fuel efficiency.

"We want to get the program away from the lawyers and back under control of the board," said Air Resources Board Chairman Alan Lloyd. The board also believes that adjustments are needed because the battery electric vehicle — the only zero emissions car auto makers have tried to market — has not proven commercially viable due to its cost, battery life, and limited driving range of around 100 miles before having to be plugged in and recharged.

"From a consumer stand point, battery-powered vehicles are a loser."

— GM Spokesperson Donn Walker

General Motors' EV1, introduced in California with great fanfare in 1997, has perhaps been the icon of the zero emissions vehicle program. But now, GM is taking back the vehicles and preparing to donate many to museums.

"The reason that GM has pulled the plug on the EV1 is that we can't make a business case out of it," said Donn Walker, spokesperson for the automotive giant. Walker said that GM spent almost $1.3 billion building and marketing the vehicle, including the use of a special dedicated sales staff that took the vehicle on a whirlwind tour of county fairs and rock concerts up and down the Golden State. "From a consumer standpoint, battery-powered vehicles are a loser."

Today, there are just some 3,000 freeway capable electric vehicles on the road and 9,000 low-speed neighborhood electric vehicles, according to the latest complete figures available from the California Energy Commission, which tracks their numbers.

"The situation we're in is unfortunate," said Roland Huang, an engineer for the Natural Resources Defense Council. "We should be starting to commercialize large numbers of zero emissions vehicles."

Yet despite the record to date, Huang and other environmentalists and regulators agree that the zero emissions vehicle mandate has been a significant success. "We view this program as one of advanced technologies," he said. "From that metric it has been an unqualified success."

Even auto makers admit it has spurred them to advance auto technology. Walker notes that GM is bringing back to Michigan some of the EV1's being withdrawn from California motorists who have leased them. GM plans to study how the technology used in the vehicles can be applied to hybrid cars and fuel cell vehicles.

Electric vehicle technology companies in California feel that auto makers, such as GM, have given short shrift to the battery electric vehicle.

"We tend to think the technology is progressing more," said Dave Modisette, executive director of the California Electric Transportation Coalition. Southern California Edison has achieved 100,000 miles on the original battery pack included in Toyota's electric version of the RAV4, a development he said points to a lower life cycle cost for battery electric vehicles.

Others, such as Alec Brooks of AC Propulsion, an automotive research and development company in San Dimas, believe that the battery electric vehicle ultimately will prove more energy efficient, environmentally sound, and commercially viable than the fuel cell vehicle. By seeking to encourage fuel cell cars in place of battery electric vehicles, Brooks said, California is ready to "snatch defeat from the jaws of victory."

Brooks and Modisette are concerned that the air board needs to keep strong pressure on auto makers to commercialize zero emission vehicles as quickly as possible and keep battery technology on an equal footing with the fuel cell. "All the progress we're making on air quality is being eroded by a growing population and people driving further," said Modisette.

Environmental groups agree. "We have to have a major technological transformation of our vehicle fleet to meet and sustain our progress in air quality," said Bonnie Holmes-Gen, assistant vice president for government rela-

California's new law: Emission standards

By William J. Kelly

Illustration by Jon Krause

While politicians elsewhere may be debating whether global warming is a danger to the environment, California lawmakers take the issue so seriously that they passed a landmark bill last summer ordering unprecedented regulation of automobile emissions.

The bill sponsored by Assemblywoman Fran Pavley makes California the first state in the nation to set standards for the greenhouse gases produced by automobiles. By 2005, it requires the state Air Resources Board to set emissions standards that will be enforced on California cars starting with the 2009 model year.

"The international community looks at California as taking the lead," said Pavley, an Agoura Hills Democrat. "I'm hoping this bill will promote a national policy of alternate fuels and less dependence on foreign oil."

Her bill, AB 1493, calls for standards that achieve maximum environmental benefit balanced against what is cost effective for manufacturers. It sets no specific emission reduction targets and prevents the Air Resources Board from:

- imposing any fees or taxes on motorists;
- banning the sale of sport utility vehicles or pick-up trucks;
- requiring automakers to reduce vehicle weight; or
- limiting or reducing the speed limit on any street or highway.

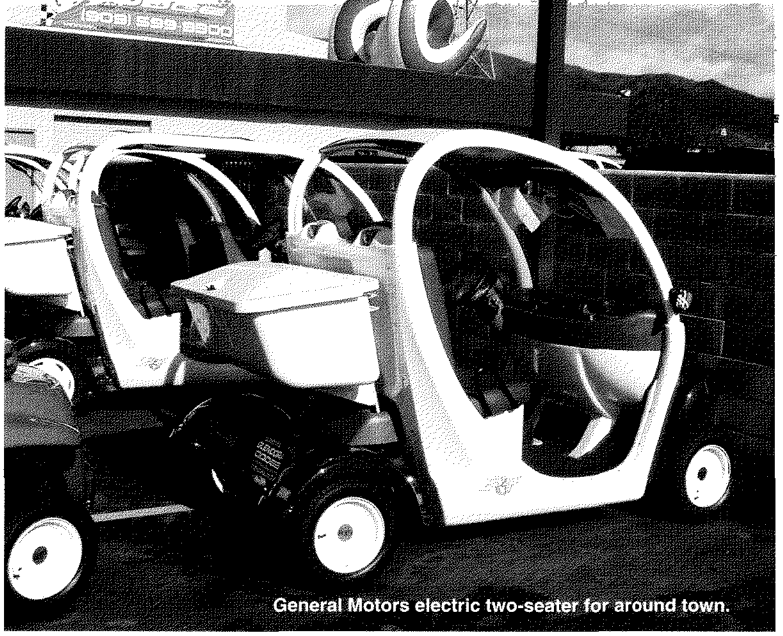
Within those limitations, the California Air Resources Board has begun working on standards by developing an inventory of greenhouse gases emitted by automobiles. The inventory, air board officials say, will point to the best opportunities for reducing emissions of carbon dioxide, methane, air conditioning system refrigerants and other pollutants that scientists say are causing the Earth to warm up.

Observers believe there will be great synergy between California's zero emissions vehicle program and the new greenhouse gas emissions standards. Both programs promise vehicles, both large and small, that produce less smog-forming emissions, lower emissions of carbon dioxide, and tions of the American Lung Association of California.

Auto makers contend that California can achieve progress with gasoline vehicle technology and other efforts. "The best benefit for the dollar, whether carbon dioxide or low emissions, is to make conventional gasoline vehicles cleaner and more fuel efficient," according to Honda's Knight.

The California Air Resources Board must decide. Carefully drawn regulations could lead to a green car transformation based on fuel cell, battery, gasoline, or hybrid technology — or all four — sooner than later this time around.

William J. Kelly is editor and publisher of California Environment Report *at* www.southlandreports.com. *He has written about the environment for more than 20 years. Comments on this article may be sent to* **comments@californiajournal.com.**



General Motors electric two-seater for around town.

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improved energy efficiency in the coming years. Pavley said that in passing her measure, the Legislature intended to accelerate the development of hybrid and, ultimately, fuel cell vehicles — the same ones needed to achieve the state's zero emissions vehicle standard.

As the air board staff develops the global warming standards over the next two years, it will consider new technologies as well as other methods for improving vehicle performance such as aerodynamic changes and more efficient tires.

"We left it open and flexible," said Pavley.

Global warming is making it more difficult for local air agencies in California to reduce summer ozone levels, according to Barry Wallerstein, executive officer of the South Coast Air Quality Management District in Los Angeles. The warming trend also threatens the state's water resources, agriculture, forests and coast as the climate changes and the sea level rises, according to the Air Resources Board.

"The Pavley bill," Wallerstein said, "provides a good mechanism to further reduce carbon dioxide emissions. Certainly there is a potential for greater use of hybrids and plug-in hybrids to reduce carbon dioxide and smog."

However, automakers are unified in their opposition to the measure, maintaining it is a backdoor approach to a state fuel economy standard, according to Donn Walker, spokesperson for General Motors.

"We don't think that states have any business regulating fuel economy," he said. "The only way you can regulate carbon dioxide is by regulating fuel economy."

GM and other automakers believe that only the federal government should set fuel economy standards because it is too difficult for the giant industry to comply with a proliferation of potentially differing state standards.

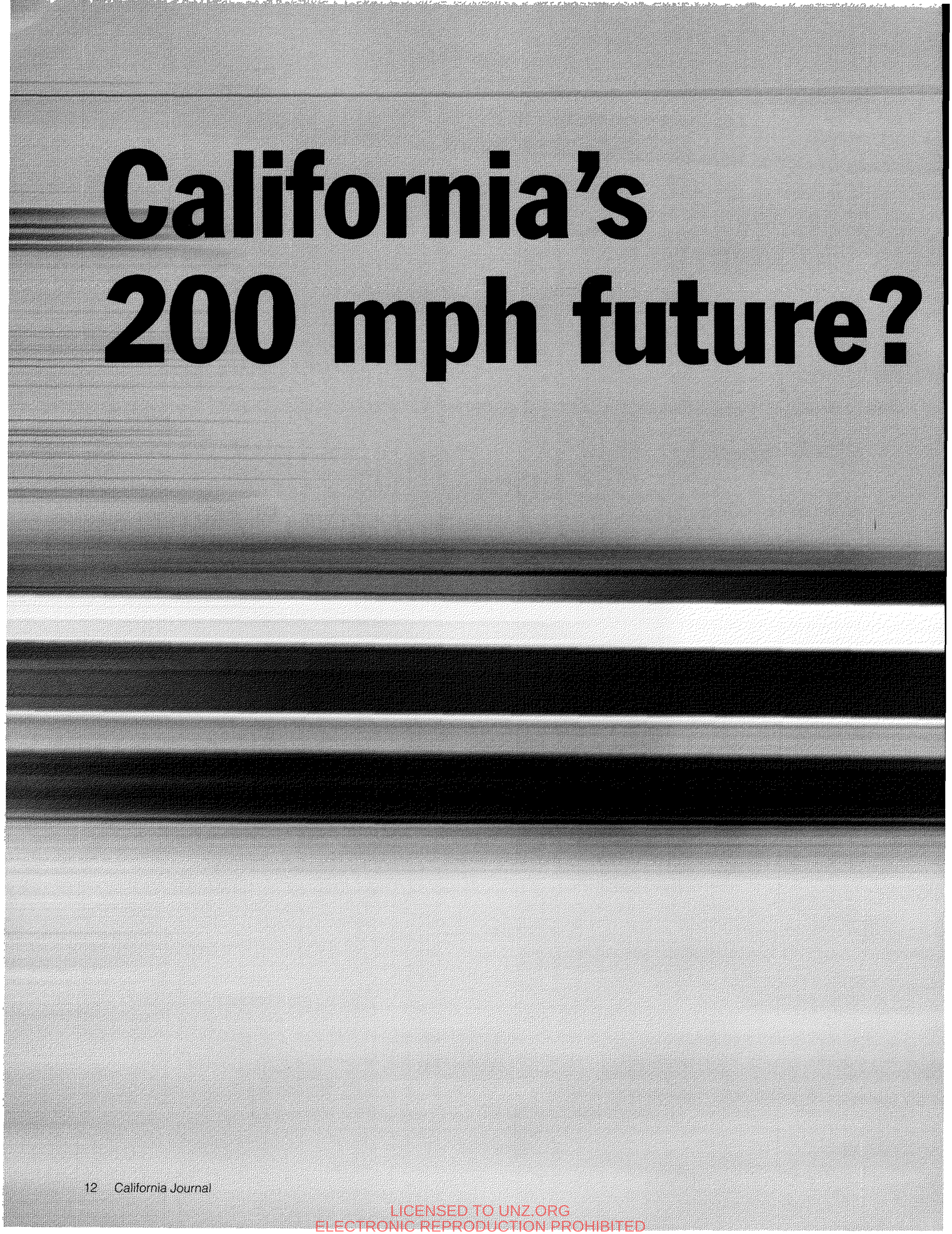
"The subtext here is a lot of people in Detroit and Washington don't like the fact that California has been pushing the envelope," said Roland Huang, an engineer with the Natural Resources Defense Council in San Francisco. "It makes a tremendous amount of public policy sense to make sure our environment and energy programs work hand-in-hand."

California's move to set greenhouse gas emission standards for autos has spurred legislators in some seven states to consider introducing bills similar to AB 1493, said Pavley. It also is being credited with providing new impetus for bipartisan federal legislation introduced last month by U.S. Senators John McCain (R-Arizona) and Joseph Liberman (D-Connecticut) that would press auto makers for improvements in mileage to address the global warming problem. Those bills face a rough road.

Before passage, Pavley said a $5 million automotive industry campaign against her measure triggered hundreds of calls to legislators from residents concerned they would be forced to drive small cars. However, Pavley pointed out that hybrid technology can be installed in a broad range of vehicles in California — including popular sport utility vehicles, vans and pick up trucks — to reduce the state's impact on global warming. "In 2009, you'll see broader choice for consumers in vehicles," she said. In the interim, Pavley said she anticipates legal challenges to the law.

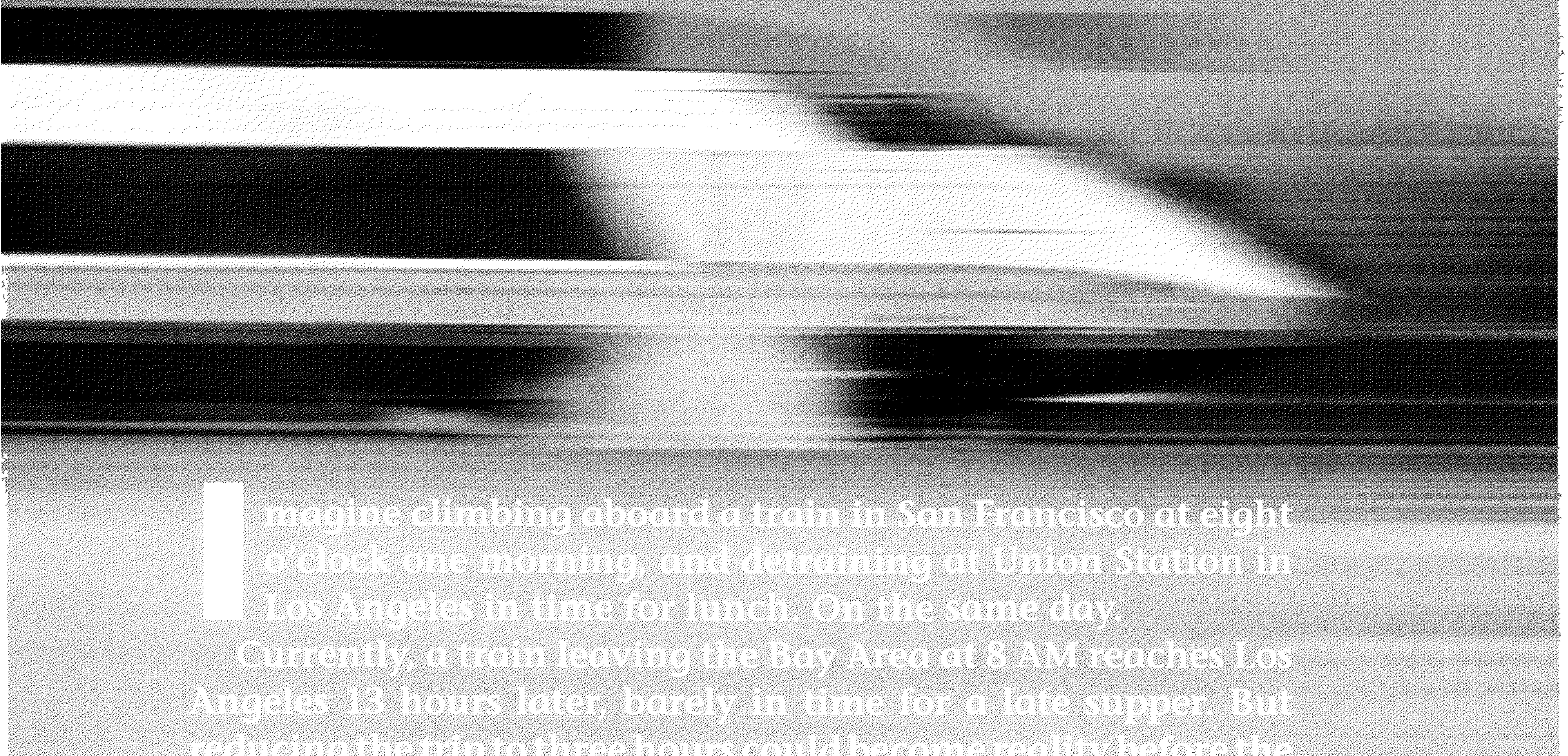
Pavley's work in passing AB 1493 earned her national recognition. *Scientific American* last December named her as one of 50 visionaries for accomplishments in 2001-02. She also received bipartisan support from U.S. Senators John F. Kerry (D-Massachusetts) and McCain. In a joint letter last summer to legislative leaders and Governor Gray Davis, the pair commented that the auto industry mounted a successful campaign of "patently false" claims to defeat recent federal legislation to improve fuel economy standards. "Be assured, California has an opportunity to do what we in Washington failed to achieve — to base your policy on sound science, instead of wildly distorted rhetoric."

California's 200 mph future?



Lawmakers have pushed high-speed rail onto the November 2004 ballot. Now comes the hard part — deciding what trains will be used, in which cities they'll stop and who'll run the system. There's still a long way to go.

By Marc Herman



Imagine climbing aboard a train in San Francisco at eight o'clock one morning, and detraining at Union Station in Los Angeles in time for lunch. On the same day.

Currently, a train leaving the Bay Area at 8 AM reaches Los Angeles 13 hours later, barely in time for a late supper. But reducing the trip to three hours could become reality before the end of the decade if dreams of modern railroaders become the apt-named "bullet train" — a 200-mile-per-hour projectile designed to connect the San Francisco Bay Area, the Central Valley and metro Southern California.

Sound too futuristic to even worry about?

Construction could begin in three years, if all the pieces fall into place. The estimated $25 billion project would be the most ambitious public work undertaken in California since construction of the highway and aqueduct systems during the 1950s and '60s. It would be created in two phases: one to build an express train between downtown San Francisco and Los Angeles' Union Station, and a second to extend service to San Diego, bolster local feeder transportation to the system and build several Central Valley stops. The proposal currently is under environmental review and a draft Environmental Impact Report is expected by summer, according to the state's High Speed Rail Authority, which is planning the train for now.

Governnor's Gray Davis' current budget proposal seeks to place the bullet train under the auspices of the state Department of Transportation. The move would save an estimated $300,000 by elminating several staff positions in the authority.

The vast majority of the system's enormous price tag would be paid for with public money, split between the state and the federal government. The state's share would come from a bond measure already placed on the November 2004 ballot and authorized last September when Governor Gray Davis signed SB 1856, sponsored by then-Senator Jim Costa (D-Fresno). If approved by voters, it would raise $9.95 billion — $9 billion for the LA-SF line and $950 million for local transportation systems feeding the bullet train. Another $10 billion would have to come from federal transportation funds. The remaining $5 billion — assuming the project stays on budget — would theoretically be raised by a combination of operating profits and private investment, including investments from companies involved in building and operating the train.

The LA-SF proposal is both the largest and most developed of 11 high-speed rail projects under consideration across the United States. If constructed, it would likely be the first of its kind in North America and the first to carry passengers, perhaps as soon as 2011.

Japan's Kan Sen line

Technology and expertise

As proposed, the system would use existing technology developed for high-speed rail systems in Europe and Asia. The train itself would mostly likely be electric powered, according to Rod Diridon, the former San Mateo County supervisor who serves as director of the rail authority. In fact, the Costa bill required an electric-powered train.

Electric trains are not new to rail travel. They have been used extensively in the northeast for nearly 100 years, and also have been used in the northern Rockies and in the Northwest in years past. But California's current passenger trains, run by Amtrak, are pulled by diesel engines. Part of the new system's electric energy would come from the state grid, and part from the train's own generators, which would charge the engines during deceleration — similar to "hybrid" cars.

Though futuristic, the train would still travel on "steel wheels on steel rails," said Diridon. The rail authority has rejected pursuing a monorail or "mag-lev" system, where train cars hover above the rails on an invisible cushion of magnetic energy. Mag-lev trains do not yet exist outside laboratories. The vehicle itself would look like a sportier version of an ageless Pullman car.

A third, less high-tech possibility is a jet-powered train, proposed by Canadian company Bombardier. It also would run on rails but be propelled by a turbine, like an airplane. The company, best known for the Ski-Doo snow mobile and the Lear jet, recently built the cars for Amtrak's Acela eastern-corridor service. Acela — touted as a bullet train but beset by problems since its inception — is an electric system, according to Bombardier. Jet-powered trains are not in operation anywhere in the world, said Bombardier spokeswoman Carol Sharpe. The company has had conversations with the rail authority and intends to bid on the California project, she said. The system will almost certainly require foreign expertise to construct and run. Among the few companies in the world that build bullet trains are Germany's Siemens, Spain's Talgo, Altrom of France, and a large consortium of companies behind Japan's Shin Kan Sen line. There are no American manufacturers, although the system would require billions in local contracts for land acquisition, right of way, construction, tunneling and, eventually, operation. The state would not run the system, Diridon said. Among those who might are airlines and Amtrak.

Although the Authority received $8.4 million last year to fund the environmental impact study and initial engineering, most details of the system remain undecided. Operational requirements, initial engineering and the exact route are only a few of the decisions that await completion of the draft environmental review, due in August.

Although the project appears to be gaining steam, its actual purpose remains a matter of debate.

French high-speed rail

Why build it?

Although the project appears to be gaining steam, its actual purpose remains a matter of debate. For instance, who will ride the train, and to where? And what effect will the line have on the state's growth patterns? The latter concern is most acute in the Central Valley, where train advocates say the effect will be positive.

"Stations will become focal points for population," said Diridon. "Typically the downtown areas are really primed for higher density." A train station in Merced, for example, would encourage residential development within walking distance of the station, promising a 40-minute, car-less commute to San Jose, he said.

Others remain skeptical.

"The land use questions have yet to be resolved, and they're very important," said Martin Wachs, director of the Institute of Transportation Studies at the University of California, Berkeley. Because zoning and construction decisions occur locally, he said, there's no guarantee of increased development around train stations and revitalization of downtowns. Rather than residential development near a downtown Merced station, Wachs suggests, the train might produce incentives for suburban development 10 miles away, causing gridlock getting to the station.

"Within California we were told 10, 12 years ago that when the LA Blue Line was created, it would lead to a renaissance of development along that corridor," Wachs said. "That doesn't seem to be happening. One could certainly argue that the BART system has been a force for decentralization of [the San Francisco Bay] area. Our tradition has been to make decisions on the local level, and to the extent that development in the state is so heavily suburban, there's no reason to believe we won't just continue, with big box retail and those sorts of things."Diridon said feeder transportation, including local mass-transit lines, would also receive funding under the bond proposal. The train, he said, would not add to sprawl but connect the valley to the coast fast, reducing the need to build a new international airport and widen highways as inland population increases.

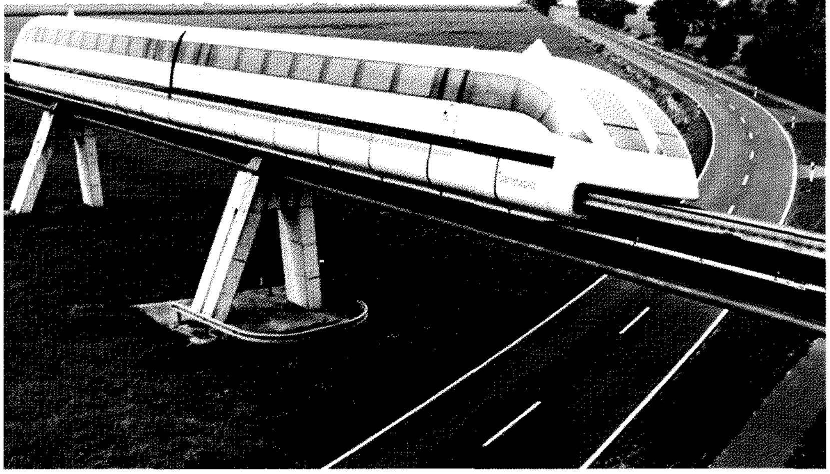
"We have to think of this not as a train from San Francisco to Los Angeles, but as something that connects Fresno to Paris," he said. "...The state's due to double in size between the turn of the century and 2040. We need to assume we have to build all that passenger capacity."

Funding and Amtrak

Whether the bullet train ever rolls depends most directly on Californians approving the November 2004 bond measure. But even if they do, the train's existence also depends on California's share of $71 billion in federal transportation money proposed for high-speed rail development. The money, part of a massive federal surface transportation bill reauthorized every five years, is before Congress this October. In addition to California, which seeks $10 billion, Florida, Texas, the mid-Atlantic states, an upper Midwest regional link and northeast-corridor states all are currently planning bullet-train systems and are competing for the money. No state can afford to build the bullet trains without federal dollars. And the most significant obstacle to federal money seems to boil down to one word: Amtrak.

"We need to fix Amtrak first," said the states' lobbyist on the issue, Mike Rivera. Rivera represents the High Speed Rail Association, the Washington, D.C. group seeking passage of the $71 billion appropriation. "I don't think you will have the votes to pass [high-speed rail funding] while Amtrak is still foundering. I see resolving Amtrak as a gatekeeper issue."

The federal train system would have the right to bid on operation of any bullet-train line but would not be given preference, said Rivera. With the bill scheduled for re-authorization this fall, Amtrak is likely to remain a sticking point, Rivera said, if only because Americans will associate train expenditures with the money-losing system. Economic and national security concerns may also



German high-speed rail in Strassburg

take precedence.

"If we're facing a $250 billion [federal] deficit, if 47 out of 50 states are in deficit, re-authorizing hundreds of billions more for ground transportation doesn't look like much fun." Rivera said. "In that case, pushing this piece of legislation along to mid-'04 starts to look attractive."

In either case — whether the bill comes up this year or next — the federal government would be deciding whether to fund half the cost of the train without knowing if Californians have voted to pay their half. In that case, Rivera said, California's representatives would have to make the pitch for $10 billion [in federal transportation money to Congress], and succeed, or no train.

Most of the bullet train's nuts and bolts remain in early planning stages, said Diridon. The rail authority confirmed it has spoken to Virgin Airlines, which operates France's TGV train system, about possibly running the day-to-day operations. Airlines have experience running similar, large-capacity transportation systems, said the rail authority's assistant director, Dan Leavitt. Lufthansa, which operates Germany's system, also has been discussed as a possible bidder, as has Southwest Airlines.

So far, American airlines have shown little interest in operating the train and, in some cases, oppose it. A spokeswoman for Southwest, Whitney Eichinger, said the airline is "going to wait for what the voters of California have to say" but did not envision the carrier would ever be interested in running a train. Given the fact that Southwest could view the bullet train as a competitor, it would come as no surprise if the airline opposed it's very creation. While Southwest says it's too early to say, it did say, in a statement: "Due to the daunting and seemingly insurmountable obstacles, economic and otherwise, to building and operating a successful high-speed rail system in California, Southwest Airlines, a major California taxpayer, could never support the use of public money to subsidize such a system."

Routes and stations

After completion of the environmental review in December, final route decisions and station construction will be up to the rail authority.

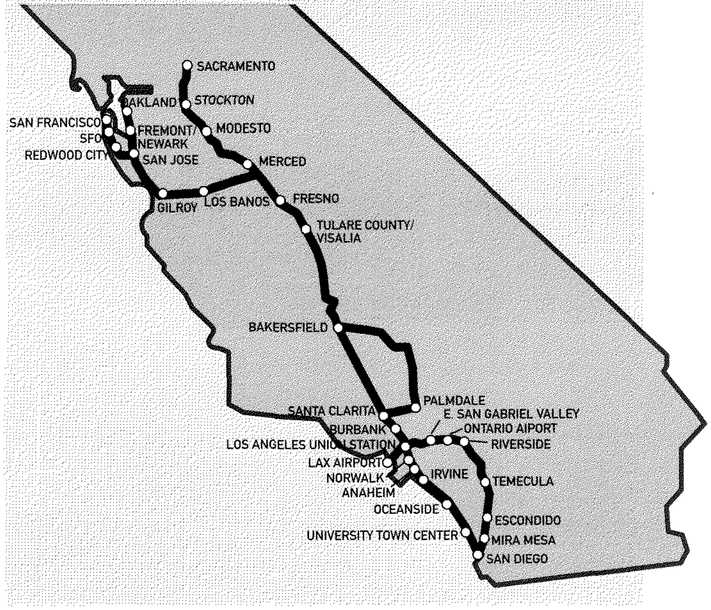
"There's going to be a competition, and some cities are going to lose," said UC-Berkeley's Wachs. "If it's to have the benefits of high speed, it will have to make relatively few stops. But the realities of politics say differently. If the politicians resolve that issue by saying its going to stop at all of them, then we lose most of the advantages."

As many as 24 stops are authorized [between SF and San Diego] by the bond measure, which also calls for trains to arrive no more than 10 minutes apart. To a large degree, the specific route will be determined by what land is available for purchase. The current proposal suggests the train follow the same path, called a "right of way," currently used by the Burlington Northern and Union Pacific freight lines. There appears to be sufficient space in the existing right-of-way to squeeze the bullet train beside the freight tracks, which would be moved and reinstalled in many cases. New rights-of-way would have to be established for the express line, so that it could bypass downtown areas and maintain speed, said Leavitt. Plus, construction of the train could involve as much as 50 miles of tunneling through the San Jose foothills and Southern California's Tehachapi mountains, according to early engineering studies. At this point, though, the state's mountains are the least of the train's obstacles. To get from SF to LA the country's first bullet train will first have to stop in Sacramento, Washington, D.C., and at the polls, and see who gets on board.

Marc Herman is a Bay Area-based writer. His account of a gold rush in the Amazon, "Searching for El Dorado" will be published this month. Comments on this article may be sent to **commets@californiajournal.com.**

San Diego to Sacramento

This might be the way California's high-speed rail system works if voters approve the 2004 bond measure.



Budget structure

by Susan Rasky

The useful thing about a budget deficit as large as the one that looms over California for the next several years is shock value. It tends, at least in the short-term, to steer the discussion away from waste and abuse and toward a debate over real policy choices.

Already, the more sober tone is showing up in the amount and scope of budget coverage. "What if California shut all the prisons?" the *San Francisco Chronicle* recently asked. "What if California doubled corporate income taxes?"

Nobody is making those particular proposals. Yet, it can be helpful for Californians to understand that operating the state's 33 prisons will cost $4.8 billion in the coming budget year, a veritable drop in the ocean of red ink, or that even doubling the current corporate tax rate of 8.8 percent would yield about $14 billion — still not enough.

The operative phrase in California budgeting for the next six months is "structural deficit," a fancy way of describing an underlying mismatch between what the state spends and the amount of revenue it takes in. The structural deficit is the part that doesn't go away even when the economy is performing well — the gap, as it were, between services the body politic says it wants from government and the amount it is willing to tax itself to pay for them.

> The operative phrase in California budgeting for the next six months is "structural deficit"

According to the Legislative Analyst's Office, about half of the current deficit is structural. Absent policy changes to bring long-term spending and revenues in line, the LAO estimates an annual structural gap of between $12 billion and $16 billion for the foreseeable future.

A few comparisons are instructive here.

At Governor Davis' estimate of $35 billion, the combined deficit for the current fiscal year and the 2003-2004 budget year that begins on July 1, is about 44 percent of the general fund, a staggering percentage that is nearly double what any other state is facing. The governor's figures, however, are in some dispute.

At the legislative analyst's estimate of $26 billion, the combined current year and budget year deficit is about a third of the general fund. That's still staggering and a still bigger percentage than anywhere else in the country, but closer to the gap Massachusetts, New York and Texas are now facing. The gap Pete Wilson faced when he presented his first budget in 1991 was $14.3 billion, or about 33 percent of what was then a $43.4 billion general fund.

What's significant is that in the early 1990s Wilson and the Legislature were able to argue that the state could grow its way out of the deficit.

Nobody is talking that way now.

Instead, the attention to the structural deficit is giving new urgency to a simmering debate about structure of the personal income tax. The two issues are conflated this year because of the steep plunge in personal income tax revenue, which accounts for about half the state's total annual revenues. That plunge reflects sharp drops in capital gains and stock option income following the collapse of the stock market and the dot.com industry. Both forms of income had accounted for a rapidly increasing share of personal income tax collections in the late 1990s.

The question is whether enormous swings are an ongoing problem with California's highly progressive income tax or whether the state experienced a sort of revenue version of the perfect storm. Proponents of the latter view argue that the income tax itself is actually quite stable and that the stock market bubble produced a crazy type of compensation system that has run its course and is unlikely to reappear soon. Either way, the odds favor at least a good fight on broadening the tax base by extending the state sales tax to an array of services. Ditto for a split roll property tax that would change the way businesses are assessed.

Since the largest structural problem with the budget is the requirement that it be approved by a two-thirds vote, what happens after the good fights depends a lot on the role Republicans choose to play in shaping the final product.

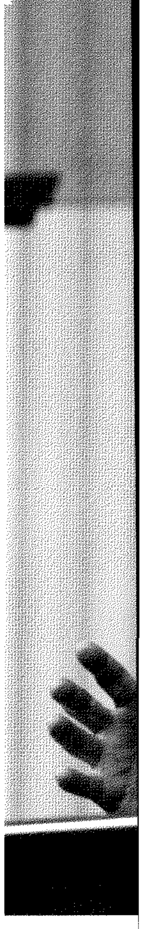
Absent legislative agreement, it may be California voters, choosing via initiative among new taxes, who ultimately settle what budget wonks like to call the New York or Texas question. New York is a high service, high tax state. Texas has moderate taxes and moderate services.

Californians have been trying to maintain New York level services for the past 25 years on a Texas budget. The structural deficit really means we can't have it both ways.

Susan Rasky teaches at the University of California, Berkeley, Graduate School of Journalism. Comments on this article may be sent to **comments@californiajournal.com.**

Speech week

The first days of January are always a busy time for the governor of California, who must present a budget proposal, a State of the State speech and, every four years, an inaugural address. Here is a flavor of the comments that launched the second term for Governor Gray Davis.



Second Inaugural, Jan. 6, 2003

My fellow Californians, I'm honored to stand before you and Almighty God to take the oath of office as governor of this, the greatest of these United States. I am humbled and inspired to be standing in the footsteps of giants like Hiram Johnson, Earl Warren, Ronald Reagan and Pat Brown.

But I know full well that the true greatness of this Golden State does not rest in government. It's in the workers and entrepreneurs who fuel our economy. The farmers and farmworkers who feed the world. The artists and performers who capture our imagination. The public school teachers who inspire and educate us. ...Finally, the true greatness of California lies in those who defend our safety and safeguard our liberty.

...Californians are idealistic and industrious, daring and decent, driven both by the ambition of their dreams and the compassion in their hearts. We are the sons and daughters of every nation on earth. Together, we represent the world's best hope for the future.

It will be a great honor for me to serve and lead our state for the next four years. But leadership begins with a clear vision. Here is mine: The primary mission of government is to provide everyone the opportunity for a better life — not just the few, not even the many, but everyone. We are the sum of our people. And we will never reach our full potential if even one person is held back by poor schools, prejudice, poverty or crime.

...This is the California of our founders' dreams. A California of courage and confidence. A California that reflects the values of our people. A California worth fighting for.

But, my friends, be warned: There are those who oppose our programs and resent our progress. The battle lines have already been drawn. Between us and those who contaminate our air and water. Between us and those who put illegal weapons on our streets. Between us and those who manipulate our energy market and cheat us out of billions of dollars. Mark my words: I will stand shoulder-to-shoulder with you and fight against these forces of reversal and retrenchment. And I am not backing down.

...Now, we face a severe budget shortfall. Its sheer magnitude boggles the mind and threatens the unprecedented progress we've made together. This is a national crisis, afflicting nearly every state in America. We didn't seek it, but we do not shirk from it. We didn't produce it, but we will prevail against it.

Remember: God never gives us more than we can handle. Just enough to let us know who we really are. Well, we are California. We will lead this nation and show the way.

State of the State, Jan. 8, 2003

Tonight, I come before you with a challenge as great as any in our state's history — and a real plan to meet that challenge.

When governors speak from this podium, they ordinarily discuss a range of issues. But these are not ordinary times. We have one overriding task before us.

We must come together to create new jobs and get our economy back on track. This task will not be easy. But it is essential if we're going to continue moving forward. And, together, my friends, we've made real progress.

Today, our students' test scores are up four years in a row. One million more children

"This is like an atomic bomb has been dropped and people are walking around in a daze. People feel like entire components of our way of life are being threatened."

Assemblyman Mark Leno (D-San Francisco)

"These Medi-Cal cuts will hurt people. To take away the wheelchairs that people need is unconscionable."

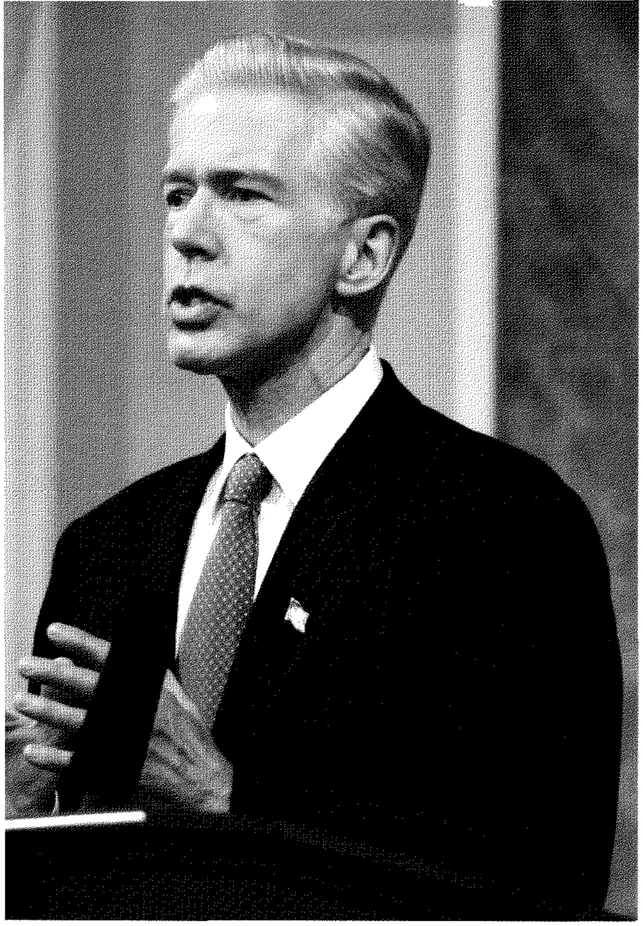
Heather Campbell of the California Medical Association

"I've been preparing community college budgets for 31 years, and this is the most outrageous, insane decision I've ever seen. At a time when more people are looking for jobs and a low-cost education, why would you cut the lowest-cost, most accessible education?"

—Community College Chancellor Chuck Spence

"Any elected leader who just says 'no' needs to look us in the eye and tell us how they are going to solve this. We plan to force the situation."

Jeanine Meyer Rodriguez, industry coordinator for the Service Employees International Union



Gray Davis at his State of the State speech

have health insurance than four years ago. Two hundred thousand Cal Grants for college will be awarded this year — a 53 percent increase. Two hundred twenty thousand Governor's Merit Scholarships have also been earned over the past two years. Three thousand more police officers are on the street. Three thousand miles of freeway are being improved. Five hundred thousand more acres of precious land have been protected. Prescription drugs for seniors are being discounted. Services to our veterans are being improved. Five more veterans' homes are being built.

We've healed old wounds with Mexico; recognized the rights of domestic partners; passed the first significant laws in America on stem-cell research, global warming and paid family leave.

Together, we've made California stronger and better.

But, now, much of what we've built is being threatened by a struggling national economy and declining stock market. The conditions which have brought us to this point are well known. Personal income is down. Employment is down. Retail sales and manufacturing are down. This national recession has forced nearly every state in America into the red.

These are tough times. But Californians are made of tougher stuff.

On Friday, I will send you one of the toughest budgets ever presented. It will be balanced. It will be responsible. It will make significant cuts in nearly every program. And it will restore this state to sound financial footing.

My budget will protect, to the extent possible, our progress in public education, public safety and children's health insurance. But make no mistake: my budget makes hard choices. We have faced the problem head-on. There are no tricks. No gimmicks. No evasions.

... We must re-write the book on California budgets. Our current fiscal structure has not been updated in 25 years to reflect either our changing economy or demographics. Our budgets have become painfully dependent upon extremely volatile sources of revenue, constraining our ability to make long-term vital public investments. It's high time to free ourselves of this boom-bust syndrome.

My budget will discuss several structural reform proposals for the Legislature's consideration. They include restoration of the executive's authority to make mid-year budget reductions in difficult times. I will convene the legislative leadership, as well as major stakeholders, to solicit other reform proposals.

... My most immediate priority can be summed up as jobs, more jobs, and even more jobs. They are the engine of our future and the cornerstone of the California dream. My goal is to help create 500,000 new jobs over the next four years.

I'm proposing a new California jobs plan that will put more Californians to work — not in years, but in weeks. We'll begin with "Build California" — a new initiative to accelerate the flow of billions of dollars into our economy.

Budget proposal, Jan. 10, 2003

Today I am sending to the Legislature a budget that closes the entire $35 billion shortfall and eliminates the structural deficit. We are facing the problem head on.

Nearly every program gets cut in this budget, while protecting education and health care for children as much as possible.

All the tax increases in this budget proposal will go to local governments so they can maintain these vital services. No tax increases will support state services.

We are reducing the size of government. Like any CEO in a recession, I have to make difficult choices. I am making them."

Feeling the PAIN

"I have no intention of voting for any tax increase — it's not the right step — and I'm fairly confident that there won't be any tax increases passed out of the Senate with Republican votes."

Senate Republican Leader Jim Brulte (R-Rancho Cucamonga)

"I think we can resolve this budget deficit situation by tightening our belts a little."

Assemblyman Keith Richman (R-Northridge)

"I hear that when everybody sees the budget Friday, they are going to puke."

— Senate President pro Tem John Burton (D-San Francisco)

"If education is the governor's number one, two and three priorities, why are we balancing the state budget on the backs of our students?"

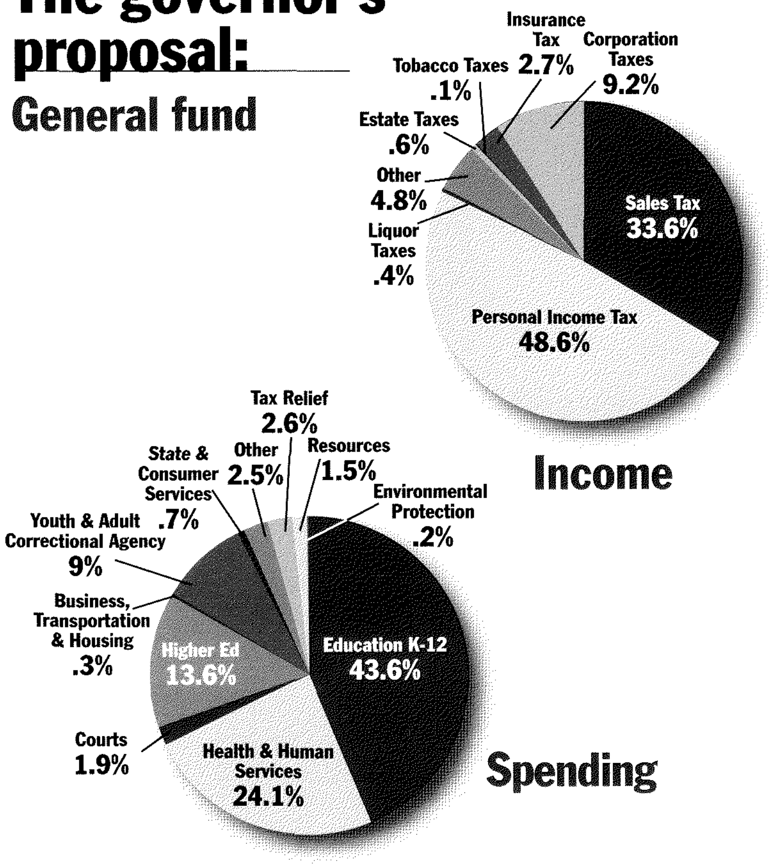
Wayne Johnson, president of the California Teachers Association

Source: Los Angeles Times, San Francisco Chronicle, Contra Costa Times, Sacramento Bee, Washington Post

This year's budget debate is about money — and values. Prisons are pitted against schools, the poor against higher taxes and the quality of life against the economy. Lawmakers are off to a difficult start. Gov. Davis estimates a $34.5 billion deficit and his budget proposal cuts spending and raises taxes by that amount over 18 months. Republicans say Davis overestimated the problem to spur tax hikes. The legislative analyst estimates a $26 billion deficit. Democrats, working to adopt a package of mid-year budget cuts before February, ruled out some Davis ideas, like his cuts to local government and avoidance of higher vehicle license fees.

The governor's proposal:

General fund



California's bu

> *"Yes, cities and counties need money. I think also that working families need money."*
> **— Assemblyman John Campbell (R-Irvine)**

> *"I don't like any tax increases that drive up costs, but I guess it's better than targeting the business community to pay for the whole thing."*
> **— Jack Stewart, president of the California Manufacturers and Technology Assn.**

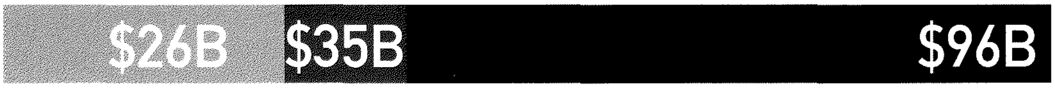
Details of the Davis plan

Revenue Increases
($8.2 billion)

- **Cigarette tax:** up $1.10 per pack
- **Sales tax:** up 1-cent
- **Income tax:** hike on incomes over $136,000
- **Indian casinos:** contribution of $1.5 billion

Spending Cuts
($20.7 billion over 18 months)

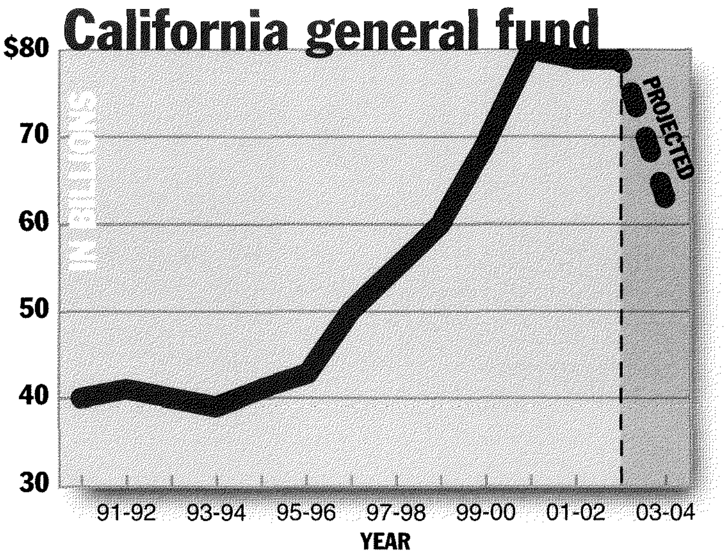
- **Medi-Cal:** Eligibility restrictions expected to push 570,000 out of the program now serving 6.3 million. Reimbursement to doctors cut 15% and various coverage eliminated.
- **Welfare:** Monthly grant cut 6.2%. Similar cut for aged, blind, disabled.
- **Housing:** Homeless shelter funds and affordable housing funds cut.
- **K-12 Schools:** Local officials predict cuts will case layoffs, larger class sizes.
- **Colleges and universities:** Cuts require tuition increase of $795 for in-state UC undergrads and $394 for CSU.
- **Community colleges:** Double the per-unit fee to $24.
- **State employees:** Layoff up to 1,900 and seek union "givebacks" worth $500 million.
- **Transportation:** Road projects delayed.
- **Local government:** End $4 billion in state revenue sharing and shift, with funds, $8 billion in social service responsibilities to local government.

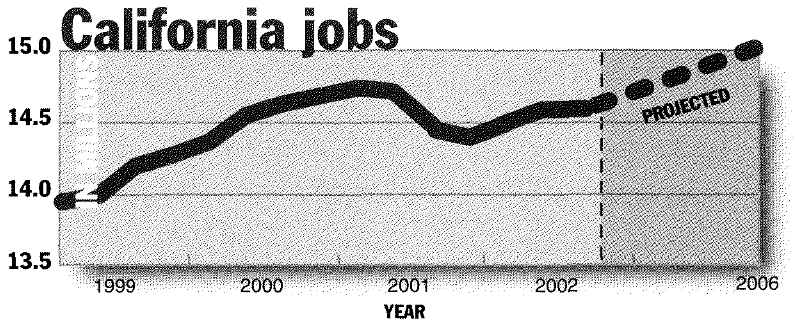


The deficit is roughly one quarter or one third of the total state budget, depending on which estimate is used. The total $96 billion budget is short by $35 billion, according to Davis. The non-partisan legislative analyst sees a $26 billion gap.

Digging out

The budget roller coaster in recent years saw the state general fund double in size during the late '90s. Now, Davis proposes the first major drop in more than a decade. In his inaugural address last month, the governor pledged to help lead the state back to prosperity by creating more than 500,000 jobs during the next four years. Pundits complain that the governor's goal is too modest.





dget mess

Other ideas on the table

- **Services taxed:** A 3% tax on services between businesses, such as legal and accounting services. Other services, from haircuts to lawn mowing, could also be taxed.
- **Vehicle License Fee:** Increase the VLF, more than doubling the $64 tax on the average car.
- **Prisoner release:** Cut the budget for the Corrections Department by releasing non-violent prisoners or reforming sentencing laws to reduce time served for minor or drug-related offenses.
- **Split roll tax:** Creating a separate tax rate for commercial and residential properties, allowing the state to raise more money from businesses while protecting homeowners from changes to Proposition 13.
- **Two thirds vote:** Abolish the Constitutional requirement that a budget must be approved by a two-thirds vote of both houses of the state Legislature.
- **Two-year budget:** Adopt a two-year budget instead of one year, allowing the financial shortfall to be paid over a longer time and reducing the current-year need for higher taxes or spending cuts.
- **Internet:** Establish a tax on Internet sales similar to the sales tax applied to purchases by catalog or in stores.
- **Across the board:** Across the board cuts of various ranges up to 8%.
- **Spending cap:** Apply a spending cap to prevent rapid growth in the state budget regardless of revenue. One proposal would limit general fund and special fund expenditures to an annual increase not to exceed the cost of living multiplied by a percent age increase in population.

Graphic source: Governor's office; Quote sources: Los Angeles Times, San Francisco Chronicle, Contra Costa Times, Sacramento Bee, Washington Post

Feeling the PAIN

"In short, Davis took the easy way out in his own blueprint for closing the state's yawning budget deficit."
— James Flanigan, LA Times, 1/12/2003

"Davis is ducking the problem no longer. ... Perhaps never before has a governor asked so many to do so much that they have vowed never to even consider.
— Daniel Weintraub, Sacramento Bee, 1/12/2003

"The Democratic governor released his scheme ... on Friday and deserves about a C grade by his benchmark. Given Davis' history of evading reality and responsibility on budgets, that's a vast improvement."
— Dan Walters, Sacramento Bee, 1/12/2003

"It's just unconscionable that the state would try to balance the budget on the back of local government."
— Los Angeles Mayor James K. Hahn

Not this time

Ex-Governor Pete Wilson opposes a tax increase this year

Governor Gray Davis rarely has kind words for his Republican predecessor, Pete Wilson. So observers were suspicious when Davis invoked Wilson's name three times during last month's press conference introducing the governor's budget proposal. Davis said his solution to the state's current $35 billion deficit was modeled after the spending cuts and tax increases that Wilson used in 1991 to resolve the state's last major financial crisis. The Democratic governor's message, of course, was that when things get this bad, even a Republican like Wilson realizes that tax increases are necessary. But in a January 16 interview with California Journal, *Wilson said he doesn't see it that way. He is against tax increases this year. And he suggests that he would have considered more spending cuts in 1991, but he was forced to approve the largest tax hike in state history because Democrats controlled the Legislature and his fellow Republicans declined to support more cuts. At the time, Wilson endured a very public rift with GOP lawmakers and leaders. Unlike today, Wilson also argues that the severity of the 1991 crisis was made worse by a national recession magnified in California due to a concentration of military base closures and defense spending cuts. Davis aides said recently that Wilson's comments are "politically convenient" and that their comparison with his budget is still valid.*

Q: Governor Davis, when he presented his budget last week, used your name three times, and newspaper coverage that followed that event suggested that Davis was trying to leverage some Republican votes by saying that his solutions to the current deficit were modeled after what you did in 1991. Do you think that's a fair comparison?

Wilson: I think the situation is quite different. To begin with, you will recall that in '91, before I ever took the oath of office, we had discovered in late November, that the recession had actually begun in May of '90. And if you look at the chart of non-agricultural employment that has been produced by the Department of Finance, it shows that

Governor Pete Wilson with Republican gubernatorial nominee Bill Simon at a campaign fund raiser in Sacramento, 2001

between July of '90 and July of '93, the state, through that prolonged three year-plus recession … we had lost conservatively some 750,000 jobs. … I'll just tell you, our economy was in free fall. California was suffering far more than the rest of the nation for reasons that were peculiar to our situation: base closures. And that was aggravated by the revenue implications of an arctic freeze and drought which substantially impacted the agricultural industry.

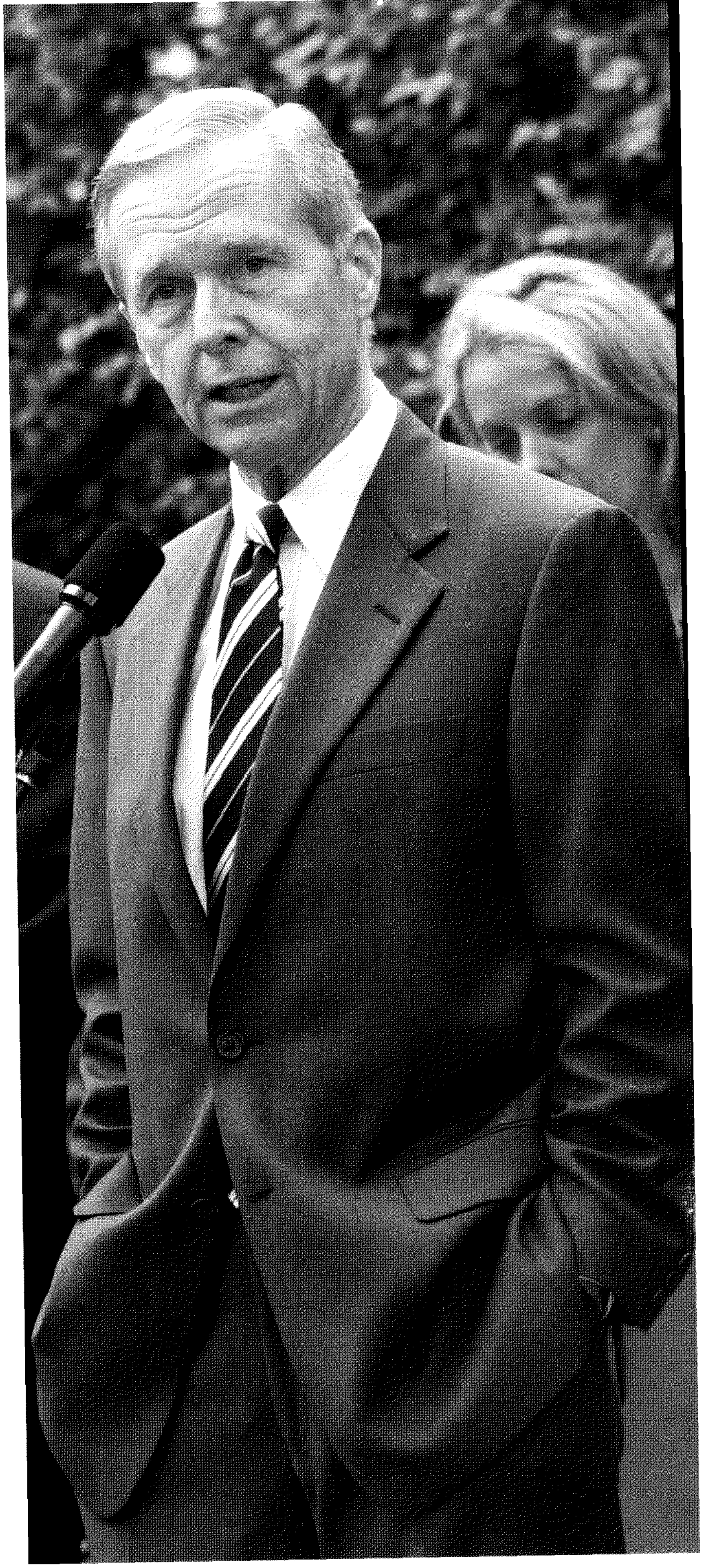
Q: Would those differences with the economy today cause you to look at different solutions for today's situation than you did in '91?

Wilson: Well, yes, I think very definitely, because if you look at today's economy, with the exception of the Bay Area, the rest of the state is not in free fall. Far from it. It's performing normally. And our non-agricultural unemployment, or our total unemployment, is something like 6.4 [percent] as opposed to over 10 percent in 1991. So it's a very different situation. The deficit that has been produced in the current situation is the result of setting spending levels beyond predictable revenues. That was not the case in '91. ... What you've had here is the bursting of the bubble. ... I was looking back at the warnings [two years ago] ... and they were very clear and they were pretty dire warnings. ... They said the conditions that have created the technological boom are coming to an end and that, of course, was aggravated by the sudden borrowing by the state to deal with the energy crisis.

... The truth of the matter is that I had asked Tom Hayes to be my finance director and, when we sat down in late November to begin to fashion the budget that I had to submit the first week in January, he said, ... 'The bad news is that we are going to have to close a revenue gap of at least $5 billion.' And I will not tell you what I said in response. By the time we'd finished the budget at least two weeks later, we knew that it was at least $7 billion and that it was heading south. By April, even before the May revise, we knew that it was $10 billion and, as you recall, the budget that I signed [closed] ... a $14.3 billion revenue shortfall. And the situation today is simply not the same. It was no exaggeration to say the economy was in free fall and we didn't know where the bottom was going to be.

Q: Before getting to some specifics about the budget solutions on the table now, let's talk about taxes in general. Higher taxes was one of the solutions you used in '91. Do the different conditions now make taxes a different evaluation for resolving this deficit?

Wilson: Yes, I think that situation is entirely different, too. We cut everything in the first budget I submitted, and we closed that gap of $7 billion entirely with spending cuts. ... We cut everything except education. We cut the growth in corrections. We didn't actually cut our base year spending. And we gave token spending to some new preventive programs for children, but that was essentially a symbolic gesture. So we had essentially cut everything except education, where we gave a slight increase. ... When I talked to Republicans, I said, 'Look, the Democrats have said we've cut everything except education and they're not going to cut that. And if you want to make a show of it and make more spending cuts, let me know about it.' Well, they didn't want to. They were no more eager to cut spending for education than were the Democrats. So at that point, even though they didn't like it, they were in a position where they had sworn on their



mother's graves that they'd never vote for a tax increase. But I said, 'Don't consider deficit spending. It's not an option.' I said, 'Not only is it unconstitutional, if it were not prohibited by the Constitution, it is terrible policy and we're not going to do it. I will not sign a budget that has deficit spending. So you're looking at further cuts, you don't want to make those cuts therefore we're going to have to choose between revenue sources.' So that's a very different situation than today where I pick up the *LA Times* and read that the legislative analyst has not only disagreed with [Davis] in terms of projected revenues and the need for projected spending cuts by $3 billion, but she has also accused him of padding the budget with $5.5 billion worth of phantom spending, which he has put in there so he can say he has cut it. It not only dramatically inflates the gap, which makes his call for tax increases, you know, more of an imperative, but it also tends to dilute the portion of the closure of the gap that is attributable to the new taxes. He has said it would be 40 percent; she has indicated that it would be at least 60 percent. So I think the Republicans are more than entitled; I think they are obligated to say, 'Hey we're not going to vote for any new taxes given the situation that the legislative analyst has just outlined.' In fact, this is exactly what [Assemblyman] John Campbell and [Assembly Republican Leader] Dave Cox and [Senate Republican Leader Jim] Brulte and [Senator Charles] Poochigian have all been saying.

Q: So is it appropriate do you think at this point to take taxes off the table or revenue increases? Or is it still too early to rule that out absolutely?

Wilson: Well, I think that it is certainly much too early to rule it in. I think you'd have to say, 'Show me the cuts.' And you know, basically you have to come back to the point that, in contrast to '91, when you had an economy in free fall that was simply not producing revenues, what you had here is an artificially high level of spending. And the reform that is necessary, if the governor is serious about dealing with a boom and bust revenue cycle, is not to deal with the revenues per se, but the spending.

Q: How would you advise Republicans to approach this issue right now? Jim Brulte has said, quote, "I'm not going to vote for a tax increase, it's not a question of budging." And then you've got [state Republican Party Chairman] Shawn Steel saying he is going to run a recall campaign against any Republican who supports a tax increase. What do you think about how the Republican Party is approaching the budget deficit here and how would you advise them to posture at this point?

Wilson: I think they ought to have extended budget hearings and get them going early. I know they've had the first one. That is a good thing. They need to deal with this revelation by the analyst that there are phantom spending, that there is in this budget that the governor has submitted that he says contains no gimmicks, no tricks, no evasions, some $5.5 billion in phantom spending in addition to the $3 billion that she's talking about that she thinks is simply a difference based upon different methodology and different economic assumptions. That's a total of $8.5 billion and that's a pretty significant amount of money.

Q: Do you think Davis' realignment proposal is an appropriate response?

Wilson: Well, I think that it is an idea that can make sense if there is both legislation that gives real management authority to the local governments. I might say too, they are funding with a less stable revenue source than we did when we realigned in '91 and sent mental health down. We provided a sales tax, which will be affected by rate increases, there's no question about that. But it's a lot less volatile than personal income tax.

Q: And the cigarette tax?

Wilson: And the cigarette tax.

Q: There are some things on the table, like a manufacturer's investment tax credit, that Davis did not take away, and a split roll tax that is being considered that Davis did not include. Do you think Davis protected business in this budget?

Wilson: Well, he's been, I think, in general, more protective than the Legislature, although toward the end of his [first] term it seems to me that he was following pretty much the agenda of organized labor. And that's not surprising given the history. But those are heavy costs, and California has to compare the costs that it imposes with the costs that our competitors in other states are imposing. And not just other states, but, as is painfully apparent, there is a worldwide movement to go offshore where labor costs are dramatically cheaper and the quality of work is vastly improving.

Feeling the PAIN

"Gov. Gray Davis appears to be channeling his Republican predecessor, Pete Wilson."
— *LA Times* editorial 1/12/2003

"Mr. Davis hasn't just taken a page out of Mr. Wilson's book, he has taken a chapter."
— *Riverside Press Enterprise* Editorial 1/12/2003

1991 Flashbacks

"The easiest possible thing to do in politics is to say 'no' to taxes and let other people vote for them. It doesn't require anything. It allows you to demagogue rather easily."
— Gov. Pete Wilson, July 7, 1991

"The San Diego delegation of [Republican] wimps passed this budget."
— Assemblyman Gil Ferguson (R-Newport Beach), June 21, 1991

"Wilson clearly misrepresented his intentions to the people of California and to the Republican Party."
— Assemblyman Tom McClintock (R-Northridge) July 18, 1991

Governor Pete Wilson with Asembly Speaker Willie Brown and Senate Republican leader Ken Maddy talking with the press over deliberations for the 1992 budget.

Q: What would you have done with the Vehicle License Fee this year? It's something that you increased in '91, but then cut in '98. Is it appropriate to increase it this year?

Wilson: I think it's very much like the sales tax ... businesses pay about a third of it and consumers pay about two thirds ... And to the extent that you increase the VLF, which I always preferred to call the car tax because that's what it is, you're adding to the deduction from people's paychecks.

Q: So would you . . . increase the VLF?

Wilson: I'm not going to suggest tax increases of any kind. Whether it's the car tax or the sales tax or anything else. ... For every quarter-cent increase in the sales tax, you're going to lose over $900 million [in tax revenue]. ... This, by the way, is not a time when you want to add further impediments to consumer spending.

Q: Was that the experience in '91 with the sales tax increase?

Wilson: Sure. I don't know whether the numbers were the same, probably they were smaller because the economy was smaller and the budget was much smaller. But yes. Look, any time you increase taxes, you are not doing anything good for the economy. And that is something that needs to be underscored. The sales tax is a more stable source in general than personal income tax. On the other hand, it is not immune to the effects of increased taxation. Again to the extent you increase it a quarter of a cent, you are going to see a drop in revenues. And yes, that is what happened. It happened pretty dramatically. We predicated what we had to do after it was clear that neither Republicans nor Democrats had the stomach for any further spending cuts because they didn't want to cut education, which was the only place left.

Q: Some Republicans have proposed a solution that

New Revenues

	Governor Wilson 1991 Budget	**Governor Davis 2003 Proposal**
Sales Tax	Temporary 1.25-cent hike from 6% to 7.25%	Permanent 1-cent hike from 7.25% to 8.25%
Income Tax	Five-year increase from 9.3% to 10% for single filers earning more than $100,000 and joint filer incomes over $200,000. Increase to 11% applied to single filers over $200,000 and joint filers over $400,000.	Permanent increase from 9.3% to 10% rate for single filers earning more than $136,115 and joint filer incomes over $272,230. Increase to 11% rate for single filers over $272,230 and joint filers over $544,460
Tobacco/Alcohol	4-cent to 20-cent increase on a gallon of beer; 1-cent to 20-cent increase on a gallon of wine and higher rates on spirits.	$1.10-a-pack increase on cigarettes, from 87 cents per pack to $1.97
Vehicle License Fee	Increase $30 to $60 per vehicle	No change
Total Revenue Increase	$7 billion	$8.2 billion

would combine a spending cap with a two-year budget cycle. What do you think about that?

Wilson: Bad idea. First of all, I would suggest that there is a very serious legal question as to whether or not the Constitution permits that. I would argue that a plain reading of it does not.

Q: You're speaking about the two-year budget cycle?

Wilson: Yes. The Constitution requires, by its expressed terms, that the governor annually submit to the Legislature a budget whose revenues and expenditures are in balance. Taken at face value, that means annually, not on a two-year basis. I think you'd have to amend the Constitution to permit that. And I don't think that it's necessarily a good idea. I think it's getting onto a rather slippery slope. And I think if you are looking at spending discipline, it's better to keep the terms shorter than longer. The argument in favor of it is that you'd have more time to react to a downturn in the economy.

Q: Also, you might see a recovery in the following year that you could use to lessen the impact in the current year, correct? Is that realistic?

Wilson: It's not necessarily realistic, but it's certainly predictable behavior from a Legislature that wants to spend.

Q: Getting to the spending cut proposals, what do you think about across the board cuts? There is a proposal from some Republicans that you could resolve the whole problem with an across the board cut of 8 or 9 percent.

Wilson: The better solution is a spending limit that takes into account population increase and inflation increase. But when you talk about that kind of a spending limit, that assumes that the existing allocation of resources is the optimum; that the best discretion has been exercised and the different amounts allocated to different activities is the proper one. The same argument I suppose could be made against the spending limit as against a freeze or a cut, which is that both make the assumption that the prior year's allocation is the proper one. The alternative is to look at it each year and allocate in accordance with what then seems to be the need. That would be the more responsible way to do it. And I think there ought to be a spending limit. … The cut that is being proposed simply across the boards has the virtue of simplicity, it is easy to understand, [but] it may not be fair in terms of need.

Q: How about the education cut proposals, such as the tuition increases at [state universities] and the University of California and particularly at community colleges.

Wilson: Nobody likes to do that, but on the other hand, California's higher educational system is the greatest bargain I can think of. … So if people have to pay somewhat more for it, it is still a bargain. If they were to double the costs, the per-unit cost at the community college level, that's not anything that anybody likes to do, [but] on the other hand it is still a remarkable bargain.

Q: And K-12 education, is there room for some reduction?

Wilson: There has been a perennial battle between those who think that much too much of the funding that goes out from Sacramento to the districts winds up paying for administration rather than classroom instruction. There was even a ballot initiative in recent times that was defeated that sought to implement a change viewed as reform by those who were insisting that a greater share go to classroom instruction. I'd like to see a greater share go to classroom instruction, but you can't wish away certain basic costs that are ancillary to classroom instruction, but not part of it. Anything that can be cut without diminishing the quality of classroom instruction, I think should be looked at

Q: My last question would look ahead at 2004. Should [President] Bush compete in California?

Wilson: Well, yes. I think he can be very competitive. I think he can win California. I think there has been a dramatic shift in public opinion. I think he is enjoying popularity nationwide, including California; deserved popularity for the leadership that he has shown. And I think that is going to stand him in good stead in '04.

Q: There is some question about how Democratic California is or whether it is open to the right Republican.

Wilson: It isn't that Democratic. It is open to the right Republican, and to a good campaign. The last two campaigns were distinctly flawed, if we're talking about gubernatorial campaigns. Davis was lucky. 🏛

Comments may be sent to **comments@californiajournal.com.**

Feeling the PAIN

"Frankly, I don't have a whole lot of respect for the kind of searing comments that have been made by people who did not have the courage to participate (in negotiations while) criticizing those who did … It's the easiest thing in the world to simply hunker down and chant, 'No new taxes', but that doesn't close the gap."

— Gov. Pete Wilson
July 18, 1991

"He chose what a moderate would choose. He chose to run the state rather than give lectures on conservative politics."

— Senate President pro Tem
David Roberti
(D-Los Angeles),
July 18, 1991

"Wilson had the courage to do what was necessary, the courage to stand up to his own party and the courage to change his mind."

— Assembly Speaker Willie
Brown (D-San Francisco)
July 18, 1991

Source: Los Angeles Times, San Francisco Chronicle, Contra Costa Times, Sacramento Bee, Washington Post

two cents

Credit where credit is due

by A.G. Block

In a remarkable exclusive that had hitherto escaped the attention of California's political reporters, Governor Gray Davis' political guru Garry South has revealed the inside story of why Democrats dominate the political landscape in California. Before departing for the headier climes of presidential politics, South made his revelations in a speech to an inaugural luncheon on the day Davis was sworn in for a second term as governor.

South confided to his audience, from which reporters were excluded, that Davis is personally responsible for the success of the California Democratic Party.

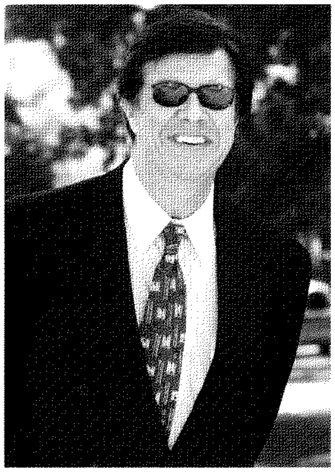
Such an important disclosure could not remain secret for long. South's discovery was faxed to newsrooms all over the state. He began by listing Davis' electoral accomplishments:

- five statewide victories for three separate offices — controller (2), lieutenant governor (1) and governor (2),
- becoming the only lieutenant governor ever to win two terms as governor, and
- only the third Democrat to win two terms as governor since 1854 (the other two had surnames of "Brown").

And this wasn't all.

"In 2002," South continued, "with Gray leading the ticket, Democrats swept all statewide constitutional offices for the first time since 1882."

Technically, this is true. Davis' name *led* the ticket because he ran for governor, which is the first office on the ballot. Beyond technical truth, South seemed to be saying that Davis deserved credit for the sweep. That coat of varnish was particularly thick. We thought that the historically unpopular Davis had been a millstone around the neck of every Democratic candidate this side of Reno. We thought that he won because he spent a maharaja's ransom to beat an inept opponent who was often described as "the only Republican in California who *couldn't* beat Gray Davis."



Garry South

Little did we know.

"And, get this," South continued, "under Gray Davis' leadership, California is now the only state in the United States of America — the only one of 50 states — where Democrats hold both U.S. Senate seats, a majority of the congressional delegation, all statewide constitutional offices and both houses of the Legislature."

This bombshell could lead the evening news: Gray Davis led California Democrats to dominance. How shortsighted we are not to have seen this more clearly, with the empirical evidence before us all along. Of course, we may have to shrink the definition of "leadership" to mean "in the lead," as in holding the lead job. Davis, after all, is governor; he holds the state's top political job.

Previously, however, we had never understood the significance of this truism. Now we understand, thanks to South, that the invisible hand of Gray Davis has been present in every Democratic triumph of recent years. Davis, for instance, helped Dianne Feinstein become a U.S. senator because he proved such a laughable opponent for her in the 1992 Democratic primary, when he graciously compared her to the convicted Leona Helmsley. Perhaps California's other U.S. senator, Barbara Boxer, should credit Davis for her job as well — instead of her own hard work and the dismal campaigns of two Republican opponents. The state constitutional officers also should thank Davis. Forget for a moment that Cruz Bustamante, Bill Lockyer, Phil Angelides, Steve Westly, John Garamendi, Kevin Shelley and Jack O'Connell sweated out election night worrying that Davis had so depressed Democratic turnout that their Republican opponents had a chance. They won, didn't they? Now they must surely recognize that Davis' leadership was the key to their victories.

No doubt a similar feeling of gratitude swells in the breasts of Senate President pro Tem John Burton and a series of Assembly speakers, their advisors and election managers. According to South, Democrats control the Legislature because of Davis' leadership. And how about Nancy Pelosi, the minority leader of the U.S. House of Representatives, and her Democratic colleagues in Congress? They, too, must acknowledge that they owe the delegation's majority to Davis' leadership.

It is truly an impressive record. No doubt a letter of appreciation from Democratic Party Chairman Art Torres is winging its way to Sacramento.

And critics said Gray Davis would leave no lasting footprints on California and no legacy for his party. What fools we were.

A.G. Block is executive editor of the California Journal. *Comments on this article may be sent to* **comments@californiajournal.com.**

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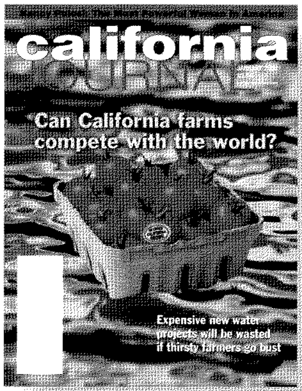
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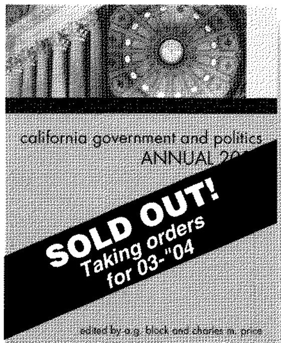
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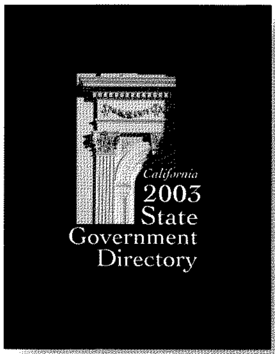
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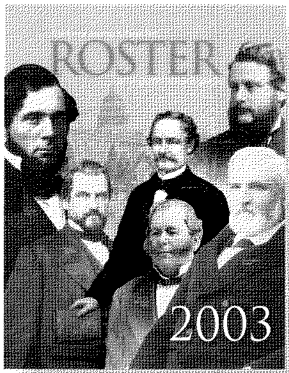
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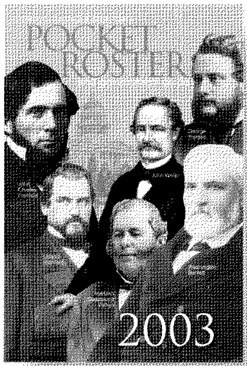
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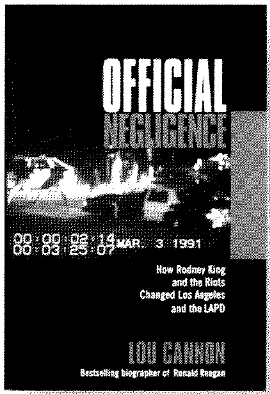
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Bonnie Gar

The only true upset in last year's elections to the newly-reapportioned Legislature was the GOP victory in a Democratic district on the international border. Now, Garcia's profile as a Republican Latina will make her one of the most closely watched newcomers in the Assembly.

By Bill Ainsworth

Nearly seven years ago, Bonnie Garcia was a local housing director not far from the Mexican border when she noticed that the mobile home parks for many farmworkers were riddled with health and safety violations.

Some houses lacked septic tanks, drawing water from substandard wells intended for agriculture. Some had dangerous and illegal electric connections. But when Garcia took the issue to city and county officials, she was told that farmworker housing was not a local matter because it fell under a special category of state law.

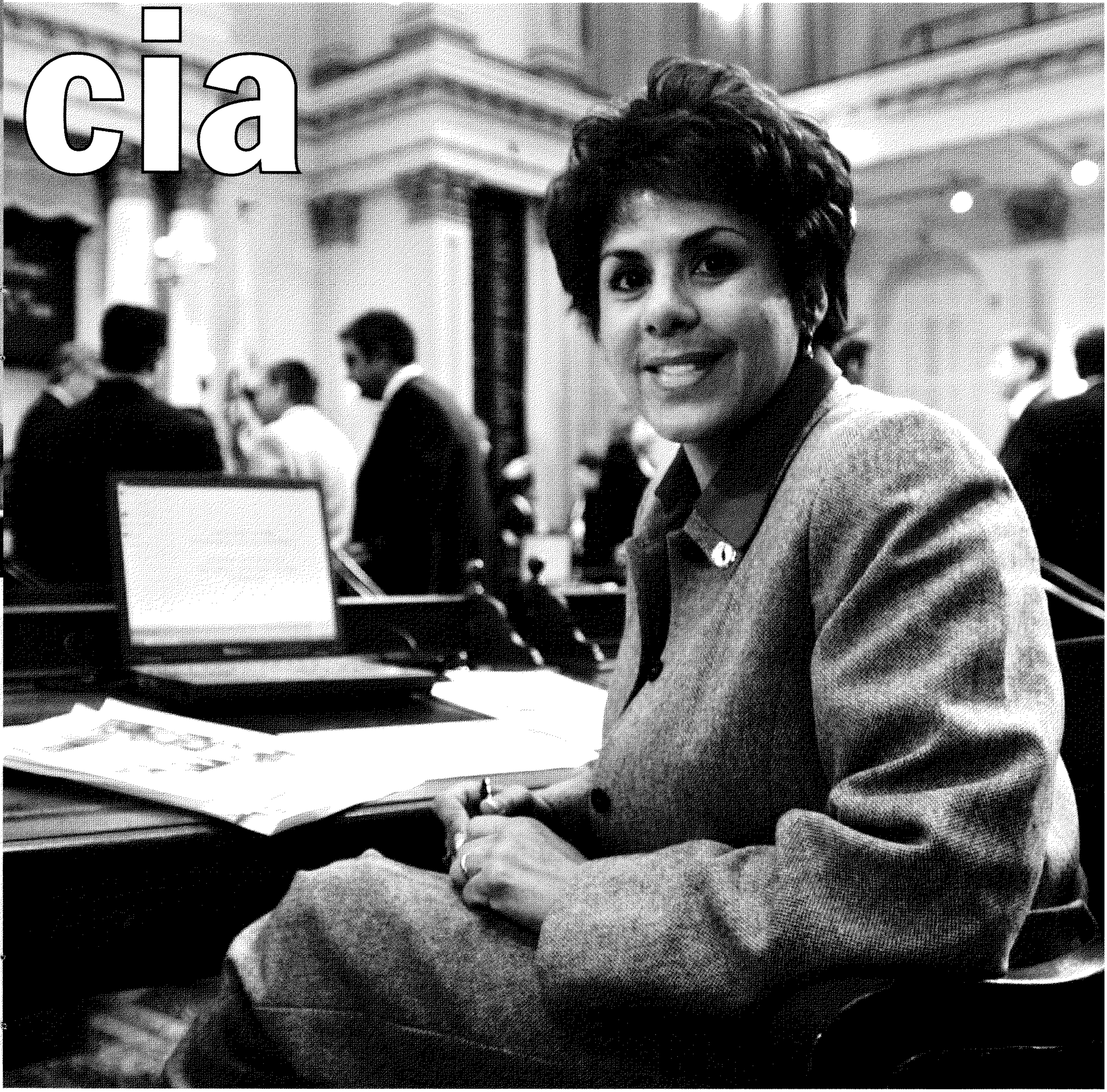
"I talked to the city attorney and said, 'This is ridiculous,'" she recalled. "How could people allow this to exist? He said, 'If you don't like it, talk to your assemblyman.'"

Today, Garcia *is* the "assemblyman." Her personal crusade for farmworker housing began a political career that eventually led to her astonishing victory last November.

Democrats thought they had secured the 80th Assembly District for themselves when they gave their party at least an 8-point advantage among registered voters during the recent redistricting process. But they didn't count on the appeal of a Republican Latina.

For a party that's struggling to

cia



escape its image of intolerance, Garcia's victory was more than simply winning a seat from Democrats, even though it was only the second time since 1994 that the GOP has made inroads in the Assembly Democratic majority.

Politically, Garcia's unique profile mixes her farmworker crusade with staunch Republican positions like opposition to abortion rights and support for the party's hard line this year against tax increases. Now, party leaders hope that her background will help carry their message to groups that are among the most difficult for Republicans to reach.

"Slowly, but surely, you are seeing a bench of Latino Republicans," said Allan Hoffenblum, a California political analyst. "Bonnie will be an important part of that group."

Garcia also said she's glad to be a role model for Republicans.

"I hope to be a bridge for others to cross over," she said. "...I hope people can see me and become empowered. I hope they see me and say 'it doesn't really matter where you come from. It matters where you're going.' "

For Garcia, 40, beating the numbers, confounding the experts and ending up in unexpected places is nothing new.

From her impoverished childhood on the lower east side of New York City, she journeyed to Southern California and gradually climbed into the middle class, earning a college degree while raising two children and developing an expertise in housing.

Her mentors credit Garcia's tenacity, spark and persistence for her success — traits she will need in abundance to hold on to her seat against an expected Democratic assault in two years.

Some Democrats brush off her victory as testament to the weakness of her opponent, Joey Acuna Jr., a Democrat who had twice unsuccessfully run for the Legislature.

Still, some analysts believe Garcia could use her triumph as the springboard to a promising career. She is living proof of what some Republican leaders have been saying for years about the Latino electorate — that its conservative social and family values make it a natural fit for the GOP.

One of five children of Puerto Rican parents who divorced when she was five, Garcia was reared by a mother and grandmother who were both conservative Seventh Day Adventists. Her father is a fundamentalist Christian.

"My family has always had Republican leanings because they were very conservative," she said.

Garcia shares some of those conservative values. But she also has a long history of trying to make government work.

She began in high school. One of her counselors suggested that she run for student body president — her first political office.

"He said, 'Bonnie, get involved. You're good at stirring people up,' " she recalls.

But the high school, located at the juncture of several ethnic neighborhoods in the lower east side of Manhattan, was in such a crime-ridden area that students didn't have enough morale to organize a 50th anniversary celebration or have a senior dance and trip.

"I took it on as a project," she recalled. "I said, 'Let's have a senior trip. Let's have a prom. There's no reason why we should be missing out.'"

In later years, Garcia decided there was no reason that she should miss out on a college degree just because her duties as a mother and wife

Assemblywoman Garcia conferring with a colleague on the floor. (Above right) Bonnie Garcia with her mentor, Senator Jim Battin

Bonnie Garcia

Birthplace: New York

Family: Husband, Javier, and two children, aged 14 and 17

Experience:
Elected to the Assembly, 2002
Legislative Aide for Senator Jim Battin
Director of Housing & Neighborhood Services for the city of Coachella

gave her a late start. Eventually, taking night and weekend classes, she earned a degree in workforce education.

In 1985, her husband, Javier, a U.S. Marine, was stationed at TwentyNine Palms Marine Base, prompting the family to move to the high desert in Southern California.

Today, her children are 14 and 17.

For a future Republican officeholder, Garcia had something of an unusual career: improving low-income housing. Eventually, she became housing director for the city of Coachella, a position that brought her into contact with the man who would become her boss and political mentor, then-Assemblyman Jim Battin.

When local officials told Garcia that farmworker housing was a state problem, she showed up in Battin's office and presented him with lists, photos and other documents that clearly demonstrated the problem.

Battin, a Republican, was impressed.

"She just wasn't going to let it go," he said. "She was very disturbed that people were living in squalor. She stayed on it — not just for a couple of weeks, but for a couple of years."

Garcia and Battin met with the staff of former state Senator Richard Polanco (D-Los Angeles), who was already working to improve this category of mobile home parks.

Eventually, they secured grants to supply housing for impoverished farmworkers. They also helped convince Riverside County officials that health and safety code violations could be enforced with local authority.

For her efforts, Battin selected Garcia as woman of the year for his Assembly district in 1997. Next, he asked her to join his staff to be outreach coordinator.

Garcia said she learned an important lesson about government.

"If you see something wrong and you know where to knock, you can really get some action," she said.

When Battin moved up to the Senate and sought a candidate to run for his former Assembly district, he knew where to knock. But thanks to reapportionment, his chosen candidate faced a tough battle.

With a Democratic voter registration edge of between 8 and 12 points over Republicans, the district was supposed to be a sure win for a Democrat. It covers east Riverside County and all of Imperial County.

Battin saw, however, that the district was also 60 percent Latino. He believed Garcia would be a strong contender.

Hoffenblum agrees. "Having a self-made conservative Latina run was an especially good choice," he said.

Garcia and Acuna both ran well-funded, aggressive campaigns. Acuna refused to follow the lead of Democratic Governor Gray Davis and release his income tax returns, which raised questions about his occupation. Those doubts might just have provided the 2-point winning margin for Garcia.

Now that she's in the Legislature, Garcia has to begin immediately to defend her seat and confront the difficult choices of the budget deficit.

She said her priorities will be protecting rural health and local government, while preventing teen pregnancy and AIDS.

Garcia said she strongly supports the Assembly Republican position against any new taxes to erase the budget deficit. Yet she opposes Davis' proposed health cuts in part because her mother, who suffers from heart disease, is on Medi-Cal, which insures the poor.

"We can find other areas to cut without hurting the most vulnerable people," she said.

Garcia, however, doesn't believe it will be her positions on one issue or another that will decide her political future, but rather the trust she earns from voters in the 80th District by being one of them.

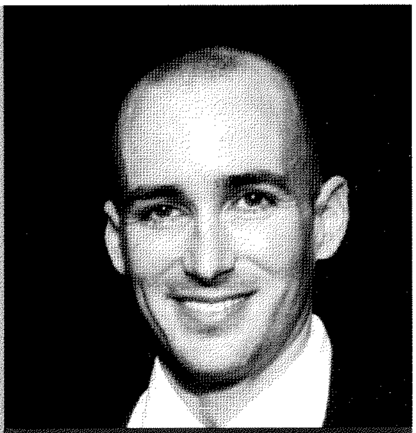
"The community is a hard-working, working-class community," she said. "I am a regular mom. I'm a regular wife. I put myself through school and I live my life like most people in my district — paycheck to paycheck."

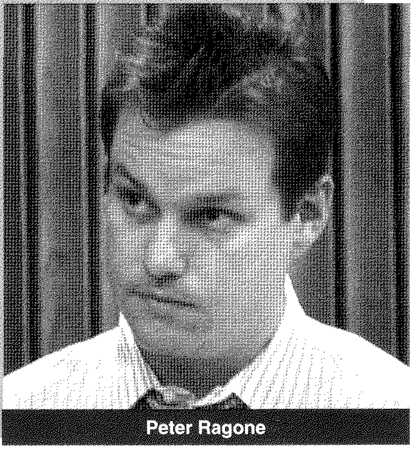
Bill Ainsworth is a Sacramento-based reporter for the San Diego Union-Tribune. *Comments may be sent to* **comments@californiajournal.com**.

The Horseshoe:

Changes in the governor's office

The departure of Gov. Gray Davis' cabinet secretary **Susan Kennedy** to the Public Utilities Commission signaled some of the second-term changes in the governor's office. Joining the staff is **David Zingale,** as deputy chief of staff and cabinet secretary. Zingale, who worked for Davis in the state controller's office for four years, more recently completed a stint as the state's top HMO regulator at the Department of Managed Health Care. In 1999, Davis made Zingale director of the new department and since then, Zingale has earned a reputation as consumer and patient-rights advocate. While Lynn Schenck continues on as Davis' chief of staff, four other veteran Davis advisors—**Nancy McFadden, Vincent Harris, Glen Rosselli** and **Michael Bustamante**—donned the title "deputy chief of staff." McFadden retained her "senior advisor" title. Much of the governor's staff has remained the same. One notable exception is at communications director, where the governor announced the departure of Oliver Phillips. **Peter Ragone,** who was most recently communications director for the failed Andrew Cuomo campaign for governor of New York, replaces Phillips. Ragone also served as Vice President Al Gore's press secretary for California in the 2000 election cycle.


David Zingale


Peter Ragone

Lobbyists and PR

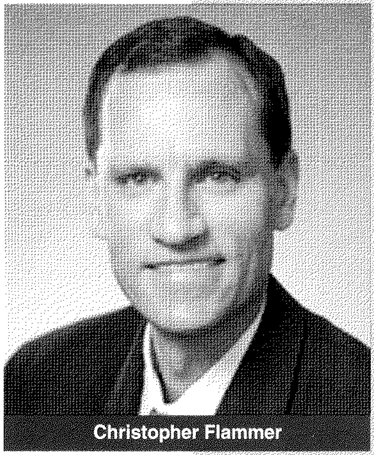
Jeff Flint, a former Bill Simon senior strategist, has opened up his own consulting shop called Flint Communications. Flint originally planned to join with Dan Schnur, Rob Stutzman and Mark Bogetich to start a firm called CommandFocus, but is instead going his own way. ... Former Los Angeles Assemblyman **Burt Margolin** has started his own lobbying firm called Margolin Group. Previously he was chief legislative strategist with lobbying firm Berliner, Candon & Jimison. ... **Ralph Heim**, **Russell Noack** and **John Caldwell** have joined lobbying firm Public Policy Advocates, leaving Heim, Noack, Kelly & Spahnn. ... **Roger Salazar**, former political advisor to Gov. Davis, joined public relations firm Porter Novelli as senior counselor.

Government

Some Assembly staffers are calling Assemblyman Fabian Nuñez's hire of **Daniel Eaton** a sign that the freshman Democratic lawmaker from Los Angeles is looking for a leadership position. Eaton was key staffer for then speaker, now Lt. Gov. Cruz Bustamante. ... Also returning to the Assembly is **Debra L. Roth,** who was the chief consultant to the Health Committee under chair Martin Gallegos during the 1997-1998 session. Roth will again be the chief staffer on Health, this time for chair Dario Frommer. ... The new chief consultant to the Education Committee is **Michael Ricketts**, former chief consultant to the Joint Legislative Master Plan Committee and before that, deputy secretary for fiscal policy under Gov. Davis. ... Another governor's office veteran, **Val Dolcini**, joins Assm. Jenny Oropeza's office as chief of staff. Dolcini was deputy legislative secretary under Gov. Davis. ... **Kimberly Rodriguez**, former consultant to the Assembly Education Committee, has moved to the Budget Committee. ... **Benjamin Ebbink** is the new principal consultant to the Assembly Committee on Labor and Employment. Ebbink was a lawyer with the Sacramento office of Beeson Tayer & Bodine, a labor law firm. ... The Assembly Banking and Finance Committee has a new chief consultant in **Margaret Gladstein**, who was formerly a consultant in Sen. Jim Costa's office. ... Senate Budget Committee chair Wes Chesbro has hired **Annette Porini**, formerly chief deputy director in the Dept. of Finance, to be his new chief of staff. ... Newly elected Controller Steve Westly hired **Greg Larson** as the department's new chief of staff. Larson is formerly the president of United Way, Silicon Valley and was co-student body president — with Westly — at Stanford University in 1977-78. ... The Assembly Appropriations Committee has two new principal consultants. **Mary Adér**, former fiscal and policy analyst for the Legislative Analyst's Office, and **Scott Bain**, former chief consultant to the Assembly Health Committee, joined Appropriations in December. ... Assm. Wilma Chan tapped **Leonor Ehling** to be her legislative director. Ehling was previously the deputy chief consultant to the Assembly Budget Committee. ... **Ray Sotero** joined Assm. Oropeza's office as press secretary. Sotero previously filled the same role for termed-out Assm. Robert Hertzberg. ... **Hans Hemann** joined the Assembly staff of newly elected Berkeley Democrat Loni Hancock. Hemann will be Hancock's chief of staff, the same position he filled for the termed-out Dion Aroner.

Through the Wall:

Leg aide joins lobby firm



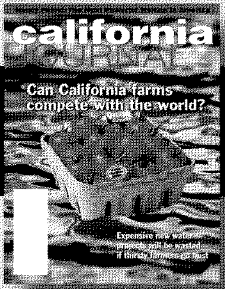
Christopher Flammer

One of the unintended consequences of term limits is that it can turn longtime Capitol staffers into nomads at the drop of a hat. Such is the case with **Christopher Flammer.** Flammer, who worked for Sen. Richard Polanco for 15 years, was out of a job when the Los Angeles Democrat was termed out last fall. Instead of signing on with another legislator, Flammer took a job as a lobbyist with Wilke, Fleury, Hoffelt, Gould & Birney, where he'll specialize in health care issues.

Others

The *Los Angeles Times* has a new reporter covering the Capitol. **Evan Halper,** who formerly covered urban growth in Orange County, will cover the budget in Sacramento replacing Julie Tamaki. ... Gov. Davis named Sheriff of San Diego County **William Kolender** to the Board of Corrections, pending Senate confirmation. ... **Don Novey,** former president of the prison guard union CCPOA, was reappointed to the California Unemployment Insurance Board. ... **Cheryl Peace,** wife of former legislator and newly named Director of Finance Steve Peace, was appointed to the California Integrated Waste Management Board. ...Former California Assm. and U.S Rep. **Jerome Waldie** was reappointed to the Tahoe Regional Planning Agency. ... Gov. Davis named a special team to assist the state in renegotiating Indian gaming compacts. Davis' negotiators are former California Supreme Court Justice **Cruz Reynoso,** retired San Diego Superior Court Judge **Anthony Joseph** and attorney **Fredrick Wyle**. ... Los Angeles attorney **Stephen Kaufman** was appointed to the Voting Modernization Board, which was created by the voter-approved Proposition 41 in March 2002.

Who's filling what jobs in your office? Drop us a line at **people@californiajournal.com.**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TEACHING CITIZENSHIP

Wayne Sakamoto knows first-hand what many of today's kids go through. And by applying his own experiences in helping San Diego schoolchildren, Sakamoto is giving the kids an opportunity to succeed in school and in life.

By Lisa Plendl

Imagine a world where the so-called "cool kids" reach out to campus outcasts and student leaders accept the role of peace keeper. Take that idea even further to envision schools where gang bangers and other "throw-away" teens are held responsible for their actions, while also given opportunities to contribute positively.

A fantasy, you say? Perhaps, but that's the vision of many San Diego-area schools, where several innovative programs are working to do just that. Under the direction of the San Diego County Department of Education's Safe Schools unit, these comprehensive approaches weave in anger management, mentoring, one-on-one outreach and parental involvement. Above all, the programs hold students accountable for being part of the greater solution.

"Education is no longer an institution where we primarily teach reading, mathematics and science," says Wayne Sakamoto, the program's lead coordinator and anti-violence expert. "We're now in the youth development field. To me, that means we're all, including youth, involved in creating positive outcomes for young people."

"Our philosophy is that we don't preach. We tell kids what works. We give them things to think about," he says. "They can take it or not." That's not a new approach, but one that remains the cutting edge of thinking in youth violence prevention — and one that Sakamoto's team executes unusually well.

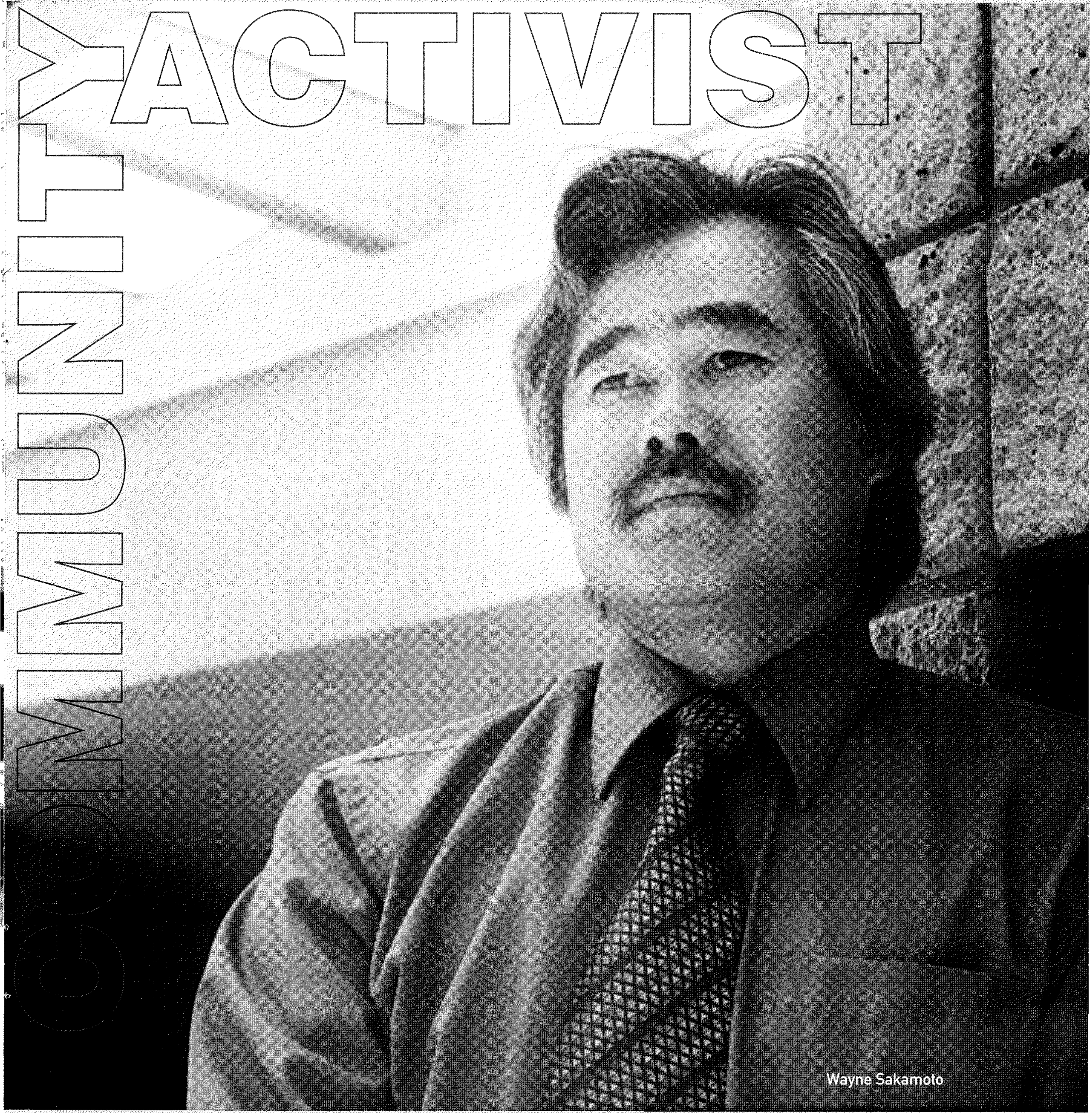
In December, The California Wellness Foundation — a private organization that has dished out $60 million in grants during the past decade to quell community violence — took note, honoring Sakamoto with its annual Peace Prize. The foundation spotlights leaders with significant records in conflict resolution and acknowledges them with a $25,000 cash award. In the world of youth violence prevention, that's something akin to a Pulitzer Prize or MacArthur Award.

The foundation also honored the unit's FORCE 8 conflict resolution program with its Golden Bell award. Other districts are taking note, as well.

Early Lessons

Sakamoto comes to the issue of youth relations with a unique background of his own. As the son of Japanese-Americans detained in internment camps during World War II, the 46-year-old Sakamoto routinely endured racial taunts

COMMUNITY ACTIVIST



Wayne Sakamoto

that helped make him an angry young man. "Growing up in Riverside, if I wanted to see someone who looked like me, I'd have to look in the mirror," he says. Shouts of "You're a Jap and you don't belong here!" became a common playground jeer. Until then, the young Sakamoto had no idea he was anything other than American. Not surprisingly, he channeled his sense of disconnection and anger into fist fights and petty crime.

It wasn't until two caring educators reached out — his 6th grade teacher and a high school administrator — that Sakamoto turned himself around. His teacher saw potential and encouraged the young Sakamoto. For the first time, he began pulling up his grades.

> “If you have less bullying, less name calling and less attacks, that has to lessen the number of expulsions

Later, when he needed another gentle kick, an assistant principal threatened to boot Sakamoto from the freshman high school class. He urged the young teen to evaluate his life. “He got me thinking about the path I was on. I remember thinking that I really needed to clean up my act.” Today, he sees the same lack of identity, disconnection and anger teeming among the multiracial student population of San Diego County.

Sakamoto took over the Safe Schools programs in 1990, after directing other youth violence programs in his home town of Riverside. He jumped at the chance to build a program from the ground up — to run the operation with his sleeves rolled up. Today, the unit receives less than half of its funding from the county. The rest comes primarily from state Department of Education grants. Sakamoto and his team have pulled in other third parties, as well.

The unit has partnered, for example, with KMFB TV, the local CBS affiliate, to teach conflict intervention to young leaders. The FORCE 8 (Focus on Resolving Conflict Everyday) program identifies those students — from class president to charismatic gang member — and snags about 100 teens from campus cliques. Participants literally break bread together at lunch time during five weekly sessions while Sakamoto's team teaches basic conflict intervention and anger management skills. Perhaps surprisingly, most teens — even the most unlikely — accept the challenge, Sakamoto says.

“If they are a gang member or ASB kid [member of student government], they want to make a difference on that campus,” he says. “Believe it or not, even gang members want a campus that is peaceful. When we give them a chance to make a positive change, they will. You really need to provide them with those opportunities.”

Peer Power

The informal sessions teach simple techniques for de-escalating potentially violent situations. They include “brain theory,” where participants learn to pause and observe themselves when tempers flare. That deeper self-awareness helps them “downshift” to a more rational state. They also practice deep breathing techniques to calm themselves during heated moments.

“They learn how to control themselves and not let their buttons get pushed,” Sakamoto says. As the training ends, participants take on the role of peace keepers and ambassadors. Carried to their peers by the “cool kids” they look up to, the message of acceptance is powerful.

Their conflict resolution skills often come into play when faced with a campus brawl or “stare-down.” They also learn to identify outcasts and loners — the kids who feel most alienated on campus — and invite them to sit with their groups during breaks. “The power of that act alone has the ability to change the campus from one of neglect and shame to caring and acceptance,” Sakamoto says. And while it's always difficult to measure the success of FORCE 8, observers believe it's significant.

The Safe Schools unit has yet to track the number of expulsions, suspensions and other statistics that would provide empirical data about the program's performance. Sakamoto is looking for more funding over the next year, some of which will pay for data collection.

“But if you have less bullying, less name calling and less racially-driven attacks, that has to lessen the number of expulsions and suspensions,” Sakamoto says.

Wes Braddock is principal of Montgomery Middle School, just two miles from the Mexican border in San Diego. The area is rife with gangs – more than 40 by recent estimates.

Braddock believes the youth program has helped the campus mellow in the past 18months. When programs work, “you know it in your gut — you can sense it in the school's climate,” he says.

He recalls the case of a troubled class bully.

“She fit the description of a girl who was either in a gang or well on her way to becoming a gang member,” Braddock says. “When she had a problem, she swung first and asked questions later.” Despite her less-than-diplomatic approach, the husky and intimidating girl remained popular with many peers because she'd fight their battles, too. But she agreed to join the five-week training sessions.

By learning to control her emotions, “downshift” into a calmer, more introspective mood, the girl slowly changed her ways. Over time, her involvement in playground brawls dwindled, and the girl even became a mediator when tensions flared between other students. Though she hadn't entirely reformed by year's end, says Braddock, her shift undoubtedly influenced many peers and set the stage for a brighter high school career.

racially-driven and suspensions." — **Wayne Sakamoto**

There are other stories, as well. On the Sweetwater High School campus several miles away in National City, a half-dozen Latino gang members gather in a makeshift trailer office to munch on free pizzas, listen to rap music and talk about their issues. This is the setting for the county's Gang Risk Intervention Program (GRIP). Sakamoto says the idea is to reach out to kids typically seen as "throwaways" by the system.

Facilitating the group is Mayra Nunez, a college student and former gang member. Mentors like Mayra are paid to spend time with group members, monitor their grades and provide tutoring when needed. The key ingredient? The program places expectations on young people — something many have never experienced from their parents. Mentors lead weekly meetings where participants discuss everything from drugs and gang banging, to dating, problems at home and their futures. Having been there herself, Mayra has no problem garnering group members' attention — or their respect.

When the talk turns to grades during a recent session, she reveals that one of the boys is pulling close to an A in one class — not exactly a badge of honor in the crowd he runs with. His homies giggle. But Mayra congratulates the teen, putting the others on the spot. "What's wrong with being a school boy?" she says to sheepish looks all around. It may be the first time most of these guys have heard a former gang member talk up the value of earning good grades.

When the topic turns to a peer recently expelled for fighting, the boys shift nervously. How did they feel about that, she wonders?

Mayra reveals she spoke with the student's weeping mother, who was desperate for a solution. When she asks the students how their parents would react in the same situation, all eyes shift downward. Mayra's motherly concern clearly provokes introspection. Though few have answers, some may actually begin to think about their own parents' struggles. In many ways, Mayra's inquiries into their lives and school performance sets expectations their own parents may, for many reasons, be unable to provide.

Though they struggle for the words, several of the boys reveal to Mayra and Sakamoto they view the program as valuable.

"We don't have no one else to talk to about stuff like this," one teen says. "I feel like this is supporting us."

Anthony Ceja, GRIP project coordinator, says the program provides a one-on-one connection that many kids lack in their lives.

"For a real connection to happen, you have to spend time individually with them," he says. "You don't really need separate programs for drugs or violence. When you have a caring adult who can connect to those kids, you can make a difference."

The team includes parents in the overall picture. They might participate in focus groups or surveys to improve an existing program or develop a new one.

At a time when many districts have no programs to quell school violence or are cutting back, observers say Sakamoto's Peace Prize recognition demonstrates that a handful of committed individuals can make a difference.

For some students, the efforts can change their lives. For others, they may offer the first glimmer of hope — much like Sakamoto's 6th grade teacher. Either way, Sakamoto and his crew are happy to be part of the equation.

"It may just be that we're planting the seed and somewhere down the line, somebody else adds water."

Lisa Plendl is a freelance reporter in Long Beach. Comments may be sent to **comments@californiajournal.com**

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Faith and tax money

by Dana Wilkie

Last spring, Governor Gray Davis gave $150,000 of tax money to a Berkeley group called "Helping Hands of Hope" — a place that offers free job-training classes for the homeless, the jobless and those released from prison. The program is affiliated with Berkeley's Mt. Zion Missionary Baptist Church. The classes are on church grounds. But because "Helping Hands" gets public money, church officials say, teachers don't dare discuss God, Jesus, prayer, the Bible or "being saved."

"We don't get into proselytizing at any level," said Curtis Robinson, executive consultant to the church pastor.

But graduation ceremonies for those who attend "Helping Hands" are held at the church, during a Sunday worship service.

It is fair to assume that those services reflect the goal of the California State Baptist Convention, with which Mt. Zion is affiliated: to promote "missionary activities at home and abroad and the evangelization of mankind throughout the world."

Even before President George Bush announced his controversial "faith-based initiative" — which would broaden the role of religious groups in government work — Davis was handing out millions of dollars under his own "faith-based" plan. Started three years ago, Davis' program raises a question that will no doubt surface when the Bush plan is underway: Do the people running programs like that in Berkeley keep a bold enough line between their tax-paid service and their religious message?

Do the people running programs like that in Berkeley keep a bold enough line between their tax-paid service and their religious message?

The question gets to the heart of the current debate over giving public money to religious groups to help government with job training, drug treatment, prison outreach and other services. If the federal and California constitutions guarantee that government will never foist religion on its citizens, then what are the rules when government lets a Baptist church use tax money to counsel addicts about cleaning up their lives? Is it all right to hand out a job application with a calendar of church services? Or hang a picture of Jesus in the job-training office? Or simply mention the words "God" and "prayer?"

Holding a graduation ceremony in a church may seem innocuous, especially since the teachers at "Helping Hands of Hope" do not make attendance mandatory. But it is the seemingly "innocuous" things that begin to blur the line between offering a tax-paid service and proselytizing.

Two years ago, an evangelical Christian group in the Central Valley town of Dinuba got $210,000 from the Davis program. The group, Open Gate Ministries, used the money for job-training classes that are held in a building separate from the ministry's homeless shelter. Students, however, get job "experience" by cooking or answering phones at the homeless shelter, a place that openly preaches about Jesus Christ.

"We do not force it on anybody," said operations manager Gloria Gaona. "We just tell them we're a Christian ministry and we'd like you to change your life."

Davis first handed out "faith-based" grants in 2001, when he gave $5 million to 20 groups, most of them religious. Last year, he handed out nearly $4 million. The idea was to reach people more likely to seek help at a church than at a social services office. Religious groups applying for state money must create a program with "501(c)(3)" tax-exempt status, which also obligates them to follow state constitutional provisions forbidding discrimination in hiring, or using tax-funded programs to proselytize.

About a dozen states have programs that give tax money to religious groups. Only recently have courts started ruling on cases challenging the legality of these programs. As a result, the body of case law on faith-based programs is just now evolving, and by no means is it clear-cut.

In the absence of legal clarity, perhaps common sense is the best guide.

If a church runs a tax-supported program to "clean up your life," how is class time spent? Is the coursework presented in a way that suggests the "best" road to kicking drugs, getting a job, finding a home, is to pray, read the Bible, or give your life to Jesus? How is tax money spent? Does it pay the salary of a teacher who also is a minister?

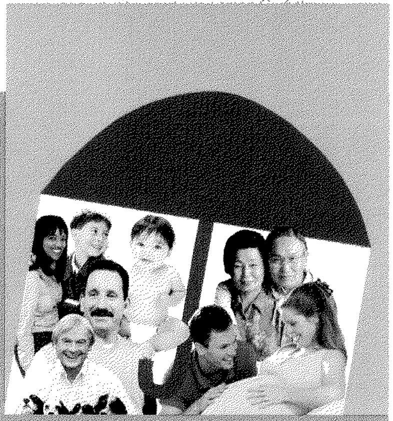
What message are students getting? Would a reasonable person conclude that he'll get better treatment — or better references or a better job — if he embraces a religious message, no matter how subtle or non-threatening it is presented?

If so, it may be time for church officials to erect a more significant wall between the sanctuary and the classroom.

Dana Wilkie is a Washington, D.C., correspondent for Copley News Service. Comments on this article may be sent to **comments@californiajournal.com**.

Health care:

Fighting the budget deficit tide



Three lawmakers propose three distinct plans that move California toward universal health coverage. **Assm. Keith Richman's** (R-Northridge) bill, **AB 30,** would expand the Healthy Families program to about 2 million working poor; **Sen. Jackie Speier's** (D-Hillsborough) bill, **SB 2,** requires employers to provide medical benefits or pay taxes to create a statewide benefits program; and **Sen. Sheila Kuehl** (D-Santa Monica) is preparing a bill to establish a state-run universal care — or single payer — system. This year, all three face an uphill battle due to the budget deficit. "I don't care what my chances are in other people's opinion," Kuehl says. "This is such a major crisis, you have to reform the system." On this point, Democrat Kuehl and Republican Richman agree. "There's a problem," Richman says. "And if you say you don't want to spend anything then you don't want to fix the problem."

SB 6 (Alpert) Education overhaul: Transfers management responsibility for the Department of Education to the governor's office from the Superintendent of Public Instruction. The Superintendent of Public Instruction would remain an elective officer and would monitor school performance. Reconfigures administration of community colleges.

AB 4 (Chan) Personal income tax: Raises maximum personal income tax rates for the taxable years beginning on or after January 1, 2003, for individual taxpayers with taxable incomes over $130,000 and married taxpayers filing jointly with taxable income that exceeds $260,000.

AB 19 (Leslie) Drunk driving penalty: Temporarily increases vehicle license fee payments for persons convicted after Jan. 1, 2004 of drunk driving. Funds from higher fees paid to California Highway Patrol.

ACA 1 (Longville) Majority budget: Allows California Legislature to adopt a budget by majority vote, instead of the existing constitutionally mandated two-thirds vote. Also holds that if a budget bill isn't passed by June 30, members of the Legislature would forfeit salary, travel reimbursement and living expenses from July 1 until a budget bill is passed.

SB 20 (Sher) Electronic waste: Legislature will assist local governments in finding funds to safely collect and recycle hazardous materials contained in electronic wastes, and to promote the reuse of electronic equipment for use by schools and nonprofit agencies.

AB 45 (Simitian) Cell phones: Prohibits use of non-hands-free wireless telephones while driving motor vehicles. Provides exception for emergencies.

SB 1 (Speier) Privacy: Requires banks and insurers to obtain written consent before selling information about a consumer. Requires banks and insurers to give consumers a way to stop their information from being distributed to affiliated companies.

AB 81 (Wyland) Insurance: Makes it illegal for insurance companies to decide against filing a consumer's claim simply because the consumer made an inquiry about the scope and nature of coverage.

Ballistic fingerprinting

Sen. Jack Scott (D-Altadena) introduced ballistic fingerprinting legislation, **SB 35,** in December. Law enforcement officials believe they can trace guns involved in crimes much more effectively if there is a database that includes a ballistic fingerprint from all registered firearms. Scott's measure would require firearm manufacturers to collect and record ballistic fingerprint information and then hand the information to the California Department of Justice for a statewide database. Critics of such a system say it would be impractical.

How to right the left coast

Surely, the White House has California dreams. A win here and re-election is all but assured. But California is also a tease. George W. Bush courted it in 2000, but lost big. He was scarred by the energy crisis and clumsily dabbled in the governor's race. So what does he do in '04? He's goin' for it.

By Carl M. Cannon

Governor Gray Davis says goodbye to George W. Bush in Ontario
Photo: Larry Downing for Reuters, 1/05/02.

Washington

In the days after Richard Riordan's flame out in the 2002 GOP gubernatorial primary, a legislator from California visited the White House and, rather unexpectedly, found himself face-to-face with the president of the United States.

"What the f— is going on in California?" Bush asked the Sacramento lawmaker playfully. "Everything I touch out there turns to crap!"

It's a query, and a lament, that both presidents named Bush — and their party — have had for nearly 15 years. It's

California after the President spoke at a town hall meeting.

not an academic concern. With 38 million people, 55 electoral votes and the largest-in-the-nation congressional delegation, California's evolution into a Democratic bastion has altered the equation of modern American politics.

"It's something I think about every day," said U.S. Representative David Dreier (R-San Dimas). "The California Republican Party has hit an all-time low. And it's frustrating because the message George W. Bush puts forward of a limited size of government and a strong national defense is tailor-made for California. ...But it has not resonated because the party structure, instead of spending its energy on outreach, has been engaged in internecine warfare."

Dreier is referring to the ongoing unpleasantness between state Republican Party Chairman Shawn Steel and Gerald L. Parsky, Bush's designated "California Guy." The fact that this power struggle has become personal obscures the fact that this is an old fight, pitting moneyed political pragmatists against grassroots conservatives who like their politics in a purer form. Such ideological battles can never really be settled. The only elixir is winning: when charismatic or competent Republicans get elected governor — or president — philosophical differences inside the party fade into the background.

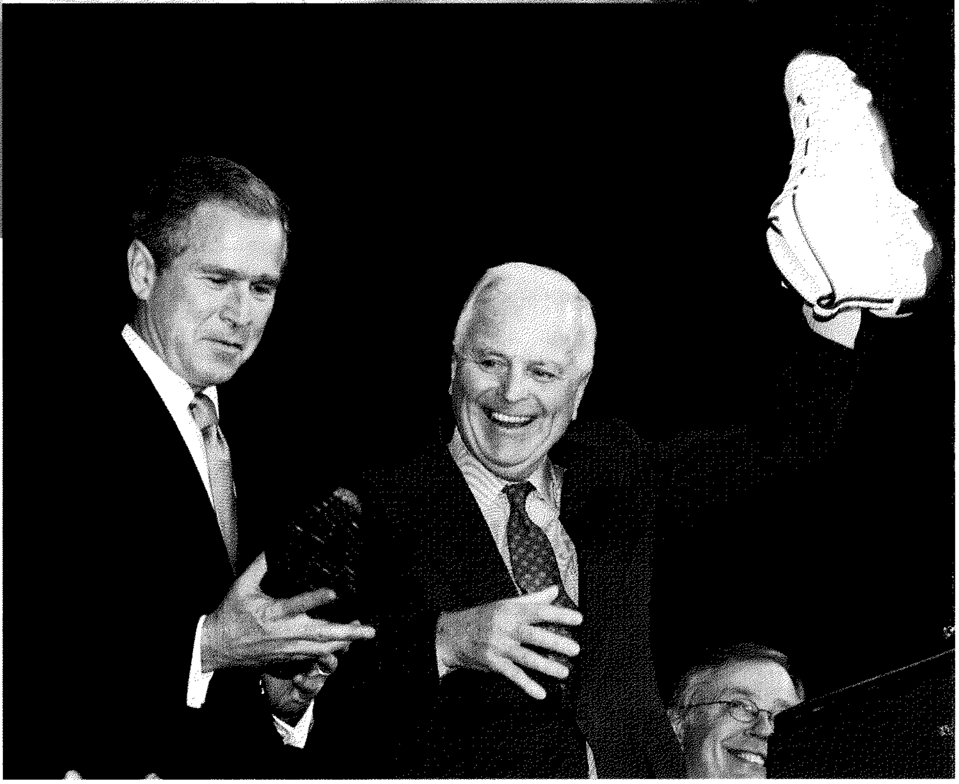
In the years dating from the end of World War II to the end of the Reagan administration, Republicans offered voters a Californian on their national ticket in seven of the nation's 10 presidential elections. The GOP won six of those seven elections. California was fertile ground for statewide Republican candidates as well. Five post-war Republican governors served in Sacramento, all elected to two terms except Earl Warren, who was in his third term when Dwight Eisenhower tapped him to be chief justice of the U.S. Supreme Court. The end of cross-filing meant the end of Republican domination in the Legislature, as it did in the congressional delegations. Nevertheless, the roster of U.S. senators from California includes Richard Nixon, William F.

Knowland, Thomas Kuchel, George Murphy, S.I. Hayakawa and Pete Wilson.

But when Ronald Reagan returned to California in his retirement, that good GOP mojo seemed to retire with him. Today, Democrats occupy all eight statewide constitutional offices in the state, California has a solidly Democratic Legislature in both houses, two Democratic U.S. senators and a House delegation that is 33-20 Democratic. California has gone Democratic in the last three presidential elections by double-digit margins.

“It’s the Democrats’ show now in Sacramento,” laments Republican political consultant Karen Spencer, a former aide to Vice President Dick Cheney. “We’re the biggest state in the nation — and the Democrats are in total control.”

“It’s the Democrats’ show now in Sacramento.”
— Karen Spencer



This grim reality will be on the minds of GOP activists when they meet at the state party convention in Sacramento in February to choose a new state chairman. Bill Back, the 67-year-old vice chairman, is being challenged by George M. “Duf” Sundheim III, a Palo Alto attorney and former Stanford quarterback with connections in the greater world of high tech. Back made unwelcome headlines when it turned out that he once e-mailed out an oddball essay from a conservative writer suggesting blacks would have been better off if the Confederacy had won the Civil War. It was one of many such e-mailings — and Back had apparently barely read the thing — but after the Trent Lott debacle, it was the last subject White House press secretary Ari Fleischer wanted to be asked about at his daily briefing.

Privately, White House political operatives prefer the richer, younger Sundheim, who says the right things about the need for Republicans to be more inclusive. But they are keeping Bush out of this fight. For one thing, the White House alliance with Parsky caused a backlash. Back is also a longtime Bush loyalist. He played this card publicly, telling *San Jose Mercury News* reporter Ann E. Marimow that he attended a recent Christmas party at the White House, where he was told he is considered “a member of the Bush family.”

White House aides immediately called Sundheim to

STOP BUSH
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(Above left) President Bush speaks in front of the California flag at a fundraising event in Stockton for Bill Simon. Photo: Rick Wilking for Reuters, 8/2/02. (Left) President Bush receives Shaquille O'Neil sneakers as a gift from then-LA mayor, Richard Riordan. Photo: Larry Downing for Reuters, 5/29/01. (Above) President Bush is greeted by demonstrators outside his LA hotel. Photo: Fred Pouser for Reuters, 5/29/01.

> "I think California is a great opportunity for us in 2004."
> — Karl Rove

reassure him that the fix was not in. Meanwhile, the GOP congressional delegation met with them both — it was more like a job interview — then overwhelmingly endorsed Sundheim.

"They need help out there," said one White House official. "That state party organization has been the most unprofessional of any of the major states. They have no master plan, a small staff, and little in the way of continuity that keeps the process going from one election to the next."

In a series of scathing op-ed pieces and let-it-fly radio interviews, Steel has responded by blaming Parsky and the Republican financial community for the 2002 election debacle in California. Steel points out that the GOP closed the registration gap with Democrats, picked up two Assembly seats and one in the state Senate and came close in Tom McClintock's controller race to upsetting a better-funded Democrat. Steel thinks the party's moneymen should have helped McClintock more, and that Parsky and the White House erred in not having Bush campaign more extensively for Bill Simon against Governor Gray Davis.

Even Republicans who consider Steele a menace concur that 2002 was a missed opportunity. "Despite all that, they are still semi-competitive," said the White House aide who criticized the state party apparatus. "They came within five points of Davis despite running the single worst campaign I've ever seen in my life."

In an interview for this piece, Bush political advisor Karl Rove himself mentioned the registration angle — and the pickup of seats in the Legislature that Steel alluded to — adding, "I think California is a great opportunity for us in 2004."

Already, the elements of the future battle plan are starting to emerge. The first is to let Davis stew in his juices. "We have the opportunity to showcase our arguments in California by contrasting the fiscal policies of Sacramento and Washington," said U.S. Representative Christopher Cox (R-Newport Beach). "In Sacramento, Davis is raising taxes on everything that moves. In Washington, Bush is cutting taxes to stimulate growth."

The second part of the plan is to have Bush try to compete in California himself in 2004. True, he did that last time, but he wasn't yet a wartime president with Eisenhower-like job-approval ratings.

Finally, the Republicans know they must recruit a more skilled class of candidates. Here, too, the White House has a role to play. "The most important thing is that they've got to give up their grudge against Bill Jones for endorsing John McCain in the 2000 primary," said one member of the GOP financial community. "Jones is no Reagan, but he's learned how to campaign and he'd be the strongest candidate against Barbara Boxer."

Ultimately, the ideal solution might just be for the Republicans to recruit another movie star. The reason isn't merely nostalgia over Ronald Reagan, but because the

Change the Tone Tour

George W. Bush in California on his presidential campaign waving from the train in Oxnard. Photo: Jeff Mitchell for Reuters, 8/9/2000.

In Arnold Schwarzenegger — Republicans usually just call him "Arnold" — the party has just such a candidate in the wings.

state's new campaign finance laws will favor a rich person with vast name identification. As it happens, in Arnold Schwarzenegger — Republicans usually just call him "Arnold" — the party has just such a candidate in the wings.

But the Republicans have had another problem of late, and it's fundamental: On a host of domestic policy questions, chief among them environmental protection and abortion, the California electorate is simply more liberal than the national wing of the Republican Party. Garry South, Davis' Karl Rove, believes it has simply become impossible for a right-to-life candidate to win a top statewide election in California. (The last to do so was George Deukmejian in 1986).

This is the problem Bush faces. Steel can point all he wants to the impressive grassroots organization of evangelicals and conservatives that former Christian Coalition executive director Ralph Reed employed to sweep Republicans to power in Atlanta, but California ain't Georgia. And under Bush and Rove, the center of the Republican Party has emigrated from its historic base in New England and the West to Dixie, where opposition to abortion is a viable political stance.

For that reason, some California Republicans are taking another look at Pete Wilson, the last one of their number who actually won statewide. Wilson is a pariah among the Bushies, but not because of his pro-choice views on abortion or his progressive environmental record. It's almost solely because of Wilson's support of Proposition 187, which sought to bar illegal immigrants from receiving welfare or taxpayer-financed social services.

To this day, Wilson insists that his support of Proposition 187 was merely an attempt to get Washington to pick up the costs of its own immigration policies — that it was good government. Bush was more inclined, as were Latino groups and most prominent Democrats, to characterize Wilson's posture as Nativist. However unfair, this perception lingers. When asked recently about the riddle of California, Rove never mentioned Wilson. Instead, he enthused about polls showing Bush with higher support among California's Hispanics than among Anglos.

So which of these approaches is correct? It must be said that Wilson carried California four times in a row — twice for the U.S. Senate, twice in a gubernatorial race — while Bush is 0 for 1. At the same time, the demographics of the state make it self-evident that a party that can't attract Latinos has a bleak future.

In Republican fantasies, this is where Arnold comes in — as the next big GOP gubernatorial candidate. Schwarzenegger favors fiscal discipline and a strong national defense, while not only being welcoming of immigrants but an immigrant himself. A Bush Republican, in other words. At the same time, Schwarzenegger is moderate on social issues and has retained the Wilson brain trust as political advisers. A Wilson Republican. This might prove the best of both worlds, but it is not until 2006. For now, it may all be up to Bush. If so, the president harbors few illusions, as he demonstrated in a recent White House meeting with Republican congressional leaders.

"Mr. President," Dreier said enthusiastically, "we're going to carry California for you in 2004."

"David," Bush replied, cocking a skeptical eyebrow, "you may be suffering from post-election euphoria."

Carl M. Cannon is White House correspondent for the National Journal. *Comments on this article may be sent to* **comments@californiajournal.com.**

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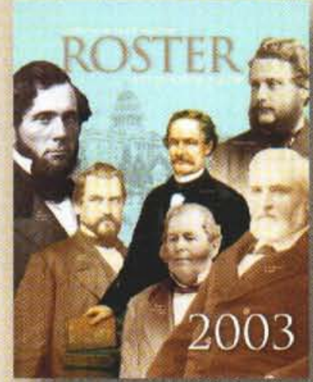

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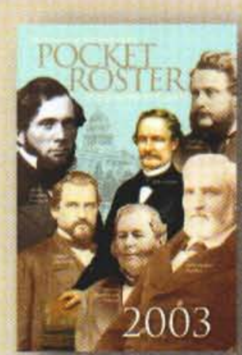

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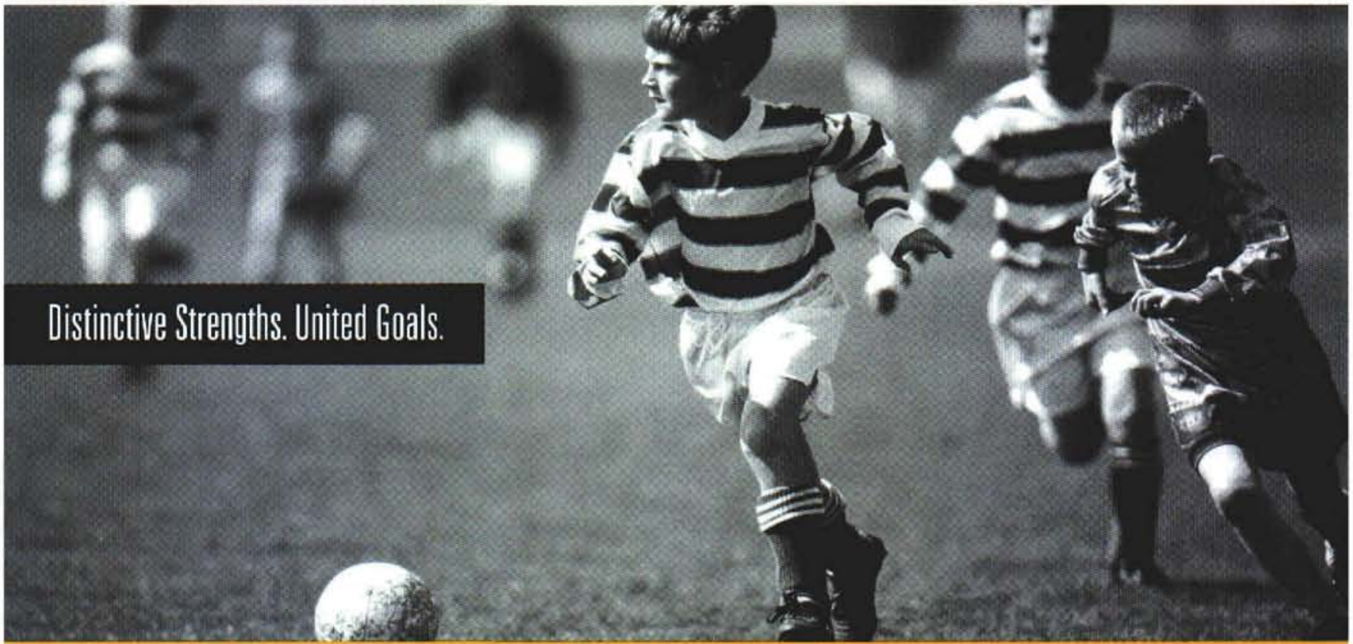
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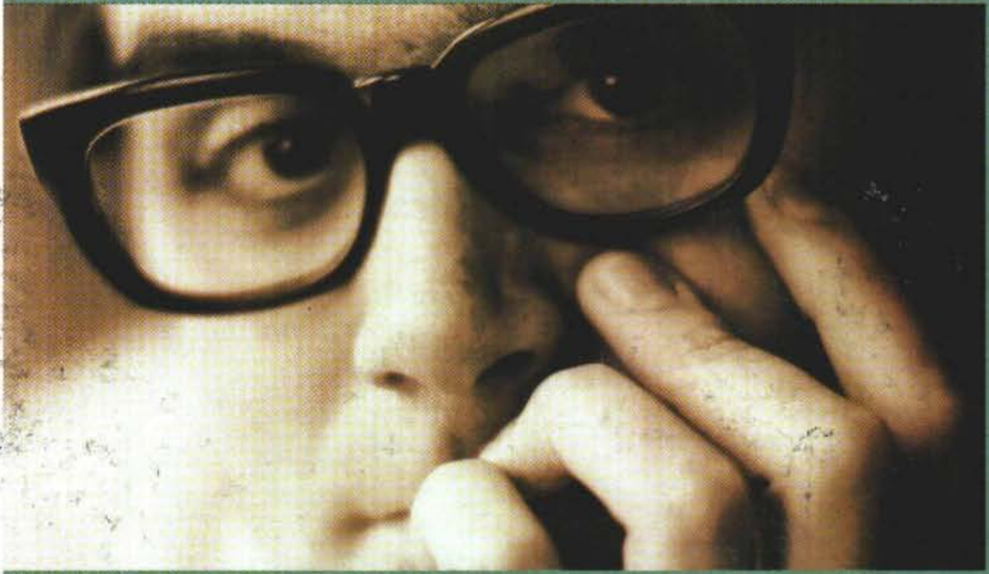

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